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INTERNATIONAL DRUG CONTROL

HEARING

BEFORE THE

COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

THE CONTROL OF FOREIGN DRUG TRAFFICKING ACTIVITIES

AUGUST 17, 1989

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INTERNATIONAL DRUG CONTROL

THURSDAY, AUGUST 17, 1989

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The committee met, pursuant to notice, at 10:15 a.m., in room SD-226, Dirksen Senate Office Building, Hon. Joseph R. Biden, Jr., chairman of the committee, presiding.

Present: Senators Biden and Thurmond.

The CHAIRMAN. The committee will come to order.

I thank the distinguished witness, whom I will soon introduce, for coming. I have an opening statement that I'd like to make, if I may.

Today's proceeding is the 11th hearing on the drug issue that this committee has conducted this year—actually, it is the 11th hearing I have conducted in my capacity as chairman of this committee and as chairman of the International Task Force on Drugs—and the 2d in a series of five hearings the Judiciary Committee is conducting in the 5 weeks preceding the announcement of Director Bennett's first drug control strategy, something we are looking forward to. I understand the President, to his great credit in my view, has taken the issue so seriously that he is going to come back on September 5 and announce that strategy to the Nation.

I might add, that is the very reason why we wrote the law in the first instance. I am confident that we can make some progress on this issue, and the President is obviously equally as confident.

Our topic today, though, is the control of foreign drug trafficking activities. Drug cartels are the No. 1 foreign threat, in my view, to our national security. While these cartels may not be the cause of our drug problem, they certainly are the principal exploiters of that problem. They unquestionably supply nearly 100 percent of the two most dangerous drugs on the street—cocaine and heroin—although I might note parenthetically, our entrepreneurial chemists are now deciding that they have the ability to provide and produce both of those drug synthetically, and we may be facing a similar problem domestically. But at this point, drug cartels supply virtually 100 percent of the cocaine and heroin that is consumed in this country.

U.S. efforts to battle these cartels have been somewhat chaotic, clumsy, and often counterproductive—and I say that not as an indictment of this administration or the last administration or the Democratic administration before that. We have had little success in any administration.

We have been inconsistent in our policy in crop eradication—and again, when I say "we," I am including the Congress in this so no one thinks that I am looking for scapegoats. This is the Congress as well as the administrations in the past.

We have stumbled in our handling of foreign governments that have been corrupted by drug traffickers, and we have wavered in setting a proper role and mission for the military in that effort.

And perhaps most sadly of all, we have often allowed the so-called war on drugs to become a war among drug agencies. Our enforcement and interdiction efforts have been plagued by bureaucratic turf battles and petty squabbling among the agencies that are involved in this matter. Hopefully, that is about to come to an end, now that we have a Cabinet-level drug officer.

My purpose today is not to offer my own plan for battling these foreign cartels or to resolve these agency turf battles, although I have ideas on this score as, unfortunately, many of the members of the administration have had to hear, some of which I have set out in the past few weeks. And I will stand by my pledge to welcome and let Dr. Bennett have the first chance to use the office we have created for him to set out a comprehensive and coordinated U.S. strategy in this area.

So our goal today is not to suggest what such a strategy should be, or to evaluate Dr. Bennett's proposal based on news reports about the draft plan, or to seek from the Secretary or the General what they know of their role in the new drug plan.

Our purpose, instead, is to look in an overview fashion at what this Nation has done recently to fight drug cartels, to reinforce or call into question conclusions based on earlier hearings as to what works and what does not work, and to identify where we have been successful and where we have failed.

By completing this record now, we can quickly and accurately assess whatever proposals the President will make next month based on solid background developed over time and through careful study. We have before us today witnesses who can be most helpful in this regard.

Our first panel is composed of two distinguished gentlemen from the Pentagon—Stephen Duncan, Assistant Secretary of Defense, who is coordinating the Pentagon's antidrug strategy and recently has been put in that position, and from what I hear, is doing a heck of a job, and Gen. Alfred Gray, Commandant of the Marine Corps and member of the Joint Chiefs of Staff. And, as I said to him earlier, not only would I not want to meet him on the battlefield, I would not want to meet him in the courtroom. He is a man of incredible integrity and is held in great respect here in the U.S. Senate.

They can tell us what the military has been doing in this area and offer insights about what has or has not been successful.

Our next witness is someone who we have identified thus far only as "Witness X"—and that is not for purposes of trying to be sexy; it is for purposes of dealing with the life of this gentleman. It is for security reasons. The witness is Max Mermelstein, and although that is no longer his name, he is someone who is familiar to any of you who have been following this area recently. Mr. Mermelstein was one of the largest drug traffickers and money laun-

derers ever prosecuted by our Government, and his cooperation has provided information that will be critical to the future prosecution of major drug cartel figures.

Mr. Mermelstein was himself no small fish. In 1983, he is believed to have been personally responsible for the importation of approximately 30 percent of all the cocaine imported into the United States of America.

Mr. Mermelstein is probably the most substantial cocaine importer ever to appear before a congressional committee.

Mr. Mermelstein, who is now a protected witness in what we call the Witness Protection Program, will tell us about the effectiveness of U.S. law enforcement efforts against foreign drug cartels and what, from his perspective—from his perspective as one of the people on the other side of the law—could be done to increase that effectiveness.

Finally, we will hear from a panel of three outstanding witnesses who will speak of their personal frustrations about dealing with U.S. policymakers who do not place fighting drug cartels at the top of their agenda. Two of these men, Robert Merkle and Richard Gregorie, are former U.S. attorneys from Florida who participated in some of the most significant drug cases in American history; the Noriega indictments and the later prosecutions are just two examples. These men will each reveal today specific incidences when significant foreign drug traffickers could have been indicted or extradited to the United States for trial, but at which time, such actions were blocked by our own foreign policy apparatus.

Our other witness appearing with both of these witnesses is Mr. Norman Bailey. Mr. Bailey was formerly with the National Security Council and is one of the foremost experts on money laundering practices of drug cartels as well as other related issues. His testimony, too, will be enlightening.

I should note parenthetically here, the amount of money we are talking about laundering in the United States from illegal drug profits is estimated to be more than $100 billion a year. That is more than all the Fortune 500 companies make combined. If you take every Fortune 500 company and combine their profits, it is less than the drug cartels make in a single year—estimated by some to be $500 billion worldwide. That is a lot of money, much of which is laundered.

I think all the witnesses appearing today are obviously going to be able to give us significant information, and I thank them for doing so.

I know that August is not the most convenient time for such hearings, but we all know that the drug problem is not taking a vacation this month; consequently, the committee cannot take a vacation either, and I know the two men before us seldom ever take a vacation, and I thank them for coming.

Before I ask the secretary for an opening statement, I yield to my colleague who has been an incredible stalwart in this effort to try to make progress in the war on drugs and crime, the distinguished Senator from South Carolina, Senator Thurmond.

Senator THURMOND. Thank you, Mr. Chairman.

Mr. Chairman, I would like to congratulate you on holding this important hearing. As we all know, the drug problem is pervasive

in America. This devastating problem has caused untold misery for thousands and thousands in this country.

I am very pleased to see that we have so many distinguished witnesses here today: General Gray, the Commandant of the Marine Corps, a very able officer; Mr. Duncan, who is doing a fine job in the Defense Department, and the other witnesses who will come on later, Mr. Merkle, Mr. Gregorie, and Mr. Bailey. I wish to thank all of them for coming and participating in this hearing.

I had accepted an appointment back in South Carolina before this hearing was set, Mr. Chairman, and I will not be able to stay for the entire hearing, but I will read the testimony and again thank you and the witnesses for holding this hearing and participating in it.

Now, Mr. Chairman, unquestionably, vast quantities of drugs imported into this country and distributed through various drug networks are produced in foreign countries. While I strongly support efforts to interdict the flow of drugs into this country, we must examine innovative means to eradicate drug production abroad. It stands to reason that if we reduce production of narcotics in foreign countries, then the flow of drugs into this country will be reduced.

In foreign countries, we often hear of political corruption as a result of payoffs by drug dealers. The large drug cartels around the world are powerful. Their power is fueled by vast sums of money made from the sale of drugs and the willingness to employ violence when necessary.

These foreign drug cartels are well-financed and well-armed. As a result of the money and willingness to employ violence, these drug cartels find very little resistance to their efforts. We must appropriate resources to come up with innovative ideas and techniques to diminish the strength and wealth of foreign drug cartels. These foreign criminals, which is what these individuals are, must not be allowed to continue their operations.

A nationwide poll released by George Gallup and the National Drug Policy Director, William Bennett, shows that Americans are fed up with the importation, distribution and use of illegal drugs. They want action to end this scourge. Those who are addicted to drugs must be treated. Our young people must be educated about the harsh realities of the devastation narcotics can cause. Those selling and using drugs must be prosecuted and punished—and heavily punished. Foreign drug dealers and foreign drug operations must be aggressively pursued and their illicit activities brought to an end.

Mr. Chairman, I believe that with continued efforts, we can beat the drug epidemic. However, our efforts to end this drug problem must be relentless.

It is appropriate that we examine the international implications of the drug problem. I look forward to participating in this hearing and reading the testimony of the witnesses when I leave today.

I want to just mention a few figures here which I think are so important. Did you know that 17 percent of high school students have used cocaine? Seventeen percent.

Did you know that over 50 percent have used marijuana?

USA Today reports Gallup poll results to this effect. One of four youths age 13 to 17 have been offered drugs in the past 30 days. One of five say some friends take drugs regularly. Eighteen percent of adults have friends who are users. Nine percent have acquaintances who sell drugs. Seventeen percent of youths have friends who sell drugs. Thirty-six percent of youths say drug use takes place near their home. Ninety-two percent of adults and 88 percent of youths want tougher laws. And we may have to pass tougher laws. Seventy-five percent of youths and 48 percent of adults are willing to volunteer in prevention programs, showing their interest in the necessity for it.

Now, what should happen to the drug users? Ninety-eight percent of adults and 91 percent of our Nation's youth think users should take courses in drug education. Seventy-eight percent of both groups think users should lose drivers' licenses. That is one way to punish many people, especially youths, is to have their drivers' licenses revoked. Seventy-one percent of adults and 73 percent of youths think users should spend a week in jail. Sixty-seven percent of adults and 41 percent of youths think names of users should be published in papers. It may bring embarrassment to publish names in the paper. We may have to consider this and decide whether it is a wise policy or not.

Last month at Hilton Head Island in South Carolina, 1,112 pounds of cocaine were seized. I was down in Hilton Head yesterday. Eleven hundred and twelve pounds of cocaine, and in addition, $645,000 in cash that had been stored away in different places there, they were able to obtain and, of course, forfeit it. I am glad we have a law that does provide for the forfeiture of property, homes, businesses, automobiles, any property one owns if we can tie that in with the drug sale and distribution.

I am very pleased that we added this year in the defense bill $1.7 billion to the $1 billion we had previously provided for drugs. This is a problem. It must be solved. It will destroy the people, it will destroy the country. So we had all better be thinking of what can be done, and be tough about this thing. Judges must be tough. We must take the steps necessary to stop this drug problem.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Senator, thank you. I think your ending comments may be the most appropriate place to begin, in addition to all that you have pointed out, which is accurate. As a consequence of what appears to be an insatiable demand for drugs, we are beginning to witness fundamental societal changes. It used to be that for every one woman in America who consumed drugs there were four men, and it did not fundamentally affect the family structure. I recently held a hearing in New York—and you gentlemen may find this interesting because it will affect the military in a fundamental way in the next 10 years, in my view, General. We found out, and we were warned—and we should all be aware of it—that with the advent of crack cocaine—and now we are also talking about smokeable heroin, or "chasing the dragon," which is a way to have heroin impact on you instantaneously even more rapidly than injecting it in your vein through a needle—an awful thing has occurred. The ratio of the use of drugs in New York City has gone from 4 to 1 men to women to about 1 to 1. Do you know what that

means? That means there is no family structure left in the inner city barrios and the ghettos, particularly in black neighborhoods. Grandmothers are in charge, not mothers or fathers. It has been suggested to us by the chief of police of New York and by the welfare agencies as well, that what we are about to see in our cities is something that the Brazilians will be very offended by, but the situation that has already occurred in the ghettos in Brazil, where you have literally packs of young men and women roaming the city without any parental control at all—none.

The point is you fellows are on the other end of this. You are dealing with the demand, General, through your testing program and are having some considerable success. And the Defense Department, Mr. Secretary, is also. But we want to talk to you today about the supply side, and one of the things we are going to have to make a judgment about, as the President is making the judgment now, is where to put our limited resources. Do we put more on the demand side, or do we put more on the supply side?

So you know the problem full well. I am anxious to hear your statements, and we are going to have to, for purposes of assessing this testimony when you come back after the plan has been announced, make a judgment as to whether or not the allocation of those limited resources is appropriate in light of the immensity of the problem.

Again, I welcome you, Mr. Secretary, and please proceed in any way you feel most appropriate.

STATEMENT OF A PANEL, INCLUDING: STEPHEN M. DUNCAN, ASSISTANT SECRETARY OF DEFENSE FOR RESERVE AFFAIRS AND COORDINATOR OF DRUG ENFORCEMENT, POLICY AND SUPPORT, U.S. DEPARTMENT OF DEFENSE; AND GEN. ALFRED M. GRAY, JR., COMMANDANT OF THE MARINE CORPS AND MEMBER OF THE JOINT CHIEFS OF STAFF

Mr. DUNCAN. Thank you, Mr. Chairman, Senator Thurmond.

A couple of introductory comments. First of all, let me extend our thanks for the invitation to be here, on behalf of both General Gray and I.

I understand that you'd like our comments to relate primarily to supply. I'd like to make a few brief observations, and then we'd be happy to respond to your questions. But before we start talking supply, I think it is worth noting, because it is not that we have all the answers, but it is one of the few major success stories that can be told about the drugs with respect to the demand issue, and that is what has happened within the Armed Forces within the last 8 years.

There were some pretty courageous military leaders back at the beginning of the decade of the 1980's who made a decision to have a zero tolerance goal for the Armed Forces. Now, that's easy to say; that is not so easy to implement and to enforce, but that became the goal, and we have had something like an 82-percent reduction in demand and usage by members of the Armed Forces since 1980. That is a story that we are anxious to tell, but frankly, it is a story of what can happen. Of course, we can do some things in the Armed Force that perhaps aren't applicable across the board in ci-

vilian life—we do have a random testing program that is pretty vigorous. But I make the comment simply because it is something that we are very proud of.

Second, I'd like to be candid about a couple of things. First of all, I assumed the responsibilities, as you noted, Mr. Chairman, on behalf of Secretary Cheney within the Department for the drug enforcement policy and support at the end of April. So I have firsthand knowledge of what we have done since that time, and I have a working knowledge of what went on in the previous administration but I was not personally involved, so I'll do my best to respond to your questions.

I think it is also important to say that President Bush and Secretary Cheney have left no doubt at all with me and the leadership of the Department about how important and how urgent this national crisis is not only to the people of the country, but how important it is for the Armed Forces and the Department of Defense to be fully engaged in the effort. We understand that clearly. I will hasten to tell you, Mr. Chairman and Senator Thurmond, that in the last few weeks and months, it has been a very high priority piece of work within the Department of Defense. There has been enormous attention and effort by the civilian and the military leadership to figure out not only how we can improve our performance of the new missions which Congress gave us last year in the fiscal year 1989 Authorization Act, but also to explore other avenues in which the Armed Forces might be employed that are innovative, that may not have been tried before—it's not that we have the answers, but at least we are asking the hard questions. And when I say that, I mean all of the civilian and military leadership—the service secretary, Secretary Cheney, Secretary Atwood, the Joint Chiefs, the Chairman and the Vice Chairman, and so forth.

Finally, let me just summarize before we respond to your questions. I think not much is understood about what missions were assigned to the Department by last year's legislation. Three major new missions were given to the Department of Defense. We were assigned, of course, the lead Federal role for the detection and monitoring of illegal drugs coming by sea or by air across the borders of the United States. There was $300 million appropriated for that mission and for the C3I mission. We were charged specifically to come up with a new command and control—the act directed the Secretary to integrate the command, control, communications, and technical intelligence assets of the United States that are dedicated to the interdiction of illegal drugs and to an effective communications network, and of course, an enhanced role for the National Guard.

I might just briefly summarize. One of the challenges the Department faced last year was that suddenly, there was a $300 million appropriation, but no programs in place. So we have been in the process of developing programs to make sure that we carry out as fast as we can those three major new missions. I am very happy to report that today, the National Guard part of the mission, and actually all parts of it, are much further along than they were only a few weeks and months ago.

A moment about the National Guard. The legislation last year anticipated that the 50 Governors and four territorial Governors

would submit proposed plans for the use of the National Guard in their State or title XXXII status. We had no experience with that. No Governor had previously submitted such a plan. It wasn't clear how that was supposed to work. The statute also required that before the Secretary of Defense could authorize the expenditure of those moneys, he had to consult with the Attorney General about the adequacy of the plan. That was not quite clear what that meant or what procedures would be employed. Suffice it to say that the plans came in; there was a great deal of difference in the plans, lots of apples and oranges on costing methodology. Some of the proposed operational missions simply were not very feasible. The National Guard Bureau did an excellent job of reviewing the plans. We searched through for legal flaws and everything else. We consulted with the Attorney General. I am happy to say that right now we have some 52 plans that have already been approved through the Attorney General's office, through the Secretary of Defense. They are being implemented by the Governors of the States, and the process is now in place, so as we enter fiscal year 1990, we've got this procedure in place, and that should be a smooth operating plan.

The C3I plan was pretty complex and pretty challenging. We had to devise a new plan. We are trying to figure out how the Armed Forces with the communications equipment and intelligence assets of the Armed Forces can communicate with all of the various local law enforcement agencies who have different equipment and so forth, and how can we best support the law enforcement agencies.

The detection and monitoring mission has been a major challenge. There was no inherent command and control structure in place, so we have created a Joint Task Force Four in Florida and a Joint Task Force Five out on the west coast under the respective commands of Commander in Chief Atlantic and Commander in Chief Pacific. They are headed now by experienced Coast Guard admirals who have experience in both drug and maritime work. We are in the business of trying to obtain some reprogramming, and we are pretty far along the line on that so we can spend some of the money for radar assets which we feel that we need, and we are working out how this lead Federal agency responsibility for detection and monitoring should work vis-a-vis all of the other Federal law enforcement agencies.

My own assessment is that the work is proceeding at an increasing pace. I am satisfied that it is progressing very rapidly now after some initial startup slowness.

In brief summary, Mr. Chairman, I think our Nation's Armed Forces fully recognize both the importance and the urgency of this national fight. We have clear guidance from the President and Secretary Cheney that we are to be fully engaged; we intend to be. While we have other, critically important national missions, like the deterrence of war, I can assure the committee that we will be fully engaged in the important fight.

With that, Mr. Chairman, I have no further comments and would be happy to respond to your questions.

[Prepared statement of Mr. Duncan follows:]

PREPARED STATEMENT OF
THE ASSISTANT SECRETARY OF DEFENSE
FOR RESERVE AFFAIRS
(DoD Coordinator for Drug Enforcement Policy and Support)

HONORABLE STEPHEN M. DUNCAN

HEARING BEFORE THE SENATE COMMITTEE ON THE JUDICIARY

AUGUST 17, 1989

NOT FOR PUBLICATION
UNTIL RELEASED BY THE
COMMITTEE

ASSISTANT SECRETARY OF DEFENSE
FOR RESERVE AFFAIRS

STEPHEN M. DUNCAN

Stephen M. Duncan was nominated by President Reagan to be Assistant Secretary of Defense for Reserve Affairs on August 7, 1987, and was confirmed by the United States Senate on October 23, 1987. He was reappointed to that office by President Bush on June 20, 1989.

Mr. Duncan serves as the principal staff assistant and advisor to the Secretary of Defense on all matters involving the 1.68 million members of the Reserve components of the U.S. Armed Forces, including the Army National Guard, Air National Guard, Army Reserve, Air Force Reserve, Naval Reserve, Marine Corps Reserve, and Coast Guard Reserve. He also serves as the principal assistant and advisor for all policies and programs of the Department of Defense in support of the President's crusade against illegal drugs. For his service as Assistant Secretary, he has received the Department of Defense Medal for Distinguished Public Service.

Mr. Duncan was born in Oklahoma City, Oklahoma, on March 28, 1941. He graduated from the U.S. Naval Academy in 1963, receiving his Bachelor of Science Degree and a commission as Ensign, U.S. Navy.

He served as a deck and watch officer aboard U.S.S. ESTES (AGC-12), an amphibious flagship which directed amphibious landings near Chu Lai, Vietnam in the Spring of 1965. He subsequently served as the Weapons Officer aboard U.S.S. CARRONADE (IFS-1), the flagship of a division of four rocket ships which provided close-in gunfire support to ground forces in Vietnam. His combat decorations include the Navy Commendation Medal (with Combat "V"), the Combat Action Ribbon, the Republic of Vietnam Cross of Gallantry (Bronze Star), the Navy Unit Commendation and various other unit citations and campaign medals related to his service in Vietnam.

In 1967, Mr. Duncan was appointed Assistant Professor of Naval Science at Dartmouth College, where he taught Naval Engineering and Naval History. He received his Master of Arts Degree in American Government from Dartmouth College in 1969.

Mr. Duncan transferred to the U.S. Naval Reserve in 1969. At the time of his first appointment in 1987, he held the rank of Captain, U.S. Naval Reserve. He is a recipient of the Armed Forces Reserve Medal.

Assistant Secretary Duncan attended the University of Colorado School of Law and received his Doctor of Jurisprudence Degree in 1971. He served as Assistant U.S. Attorney in 1972-73. From 1973 to 1987 he was engaged in the private practice of law in Denver, Colorado, most recently as a partner in the Denver firm of Hopper, Kanouff, Smith, Peryam, Terry and Duncan. His practice was concentrated in the trial and appeal of complex commercial disputes in both federal and state courts.

Mr. Duncan is a member of the Bar of the U.S. Supreme Court, the State of Colorado, the U. S. Court of Military Appeals and other federal courts. He is a member of the faculty of the Trial Advocacy Institute at the University of Virginia School of Law and in 1982 he was elected a Fellow of the International Society of Barristers. He has published articles in various professional journals. He has served as an elected member of the Board of Governors of the Colorado Bar Association, the Board of Trustees of the Denver Bar Association, and of other bar organizations.

Assistant Secretary Duncan is married to the former Luella Rinehart of Santa Monica, California. They have two daughters. Kelly is a Midshipman First Class at the U.S. Naval Academy. Paige is a senior in high school.

July 1989

GENERAL A. M. GRAY JR., USMC

Born in Point Pleasant Beach, NJ, General Gray enlisted in the Marine Corps in 1950. He served overseas with FMF, Pacific, attaining the rank of sergeant before being commissioned a second lieutenant in April 1952. Early tours included service with the 11th and 7th Marines, 1st Marine Division in Korea, the 8th Marines, 2d Marine Division at Camp Lejeune, NC, and Headquarters Marine Corps, Washington, DC, during which he saw service in Guantanamo Bay and Vietnam.

As a major, General Gray joined the 12th Marines, 3d Marine Division, Vietnam in October 1965, serving concurrently as regimental communications officer, regimental training officer, and artillery aerial observer. He took command of the Composite Artillery Battalion and U.S. Free World Forces at Gio Linh in April 1967. In September 1967, General Gray was reassigned to the III Marine Amphibious Force in Da Nang where he commanded the 1st Radio Battalion elements throughout I Corps until February 1968. Following a brief tour in the United States, he returned to Vietnam from June to September 1969 in conjunction with surveillance and reconnaissance matters in the I Corps area.

After his Vietnam tour, General Gray served as Commanding Officer of the 1st Battalion, 2d Marines; and Camp Commander of Camp Hansen, Okinawa, Japan. While commanding the 33d Marine Amphibious Unit and Regimental Landing Team-4, and concurrently serving as Deputy Commander, 9th Marine Amphibious Brigade, General Gray directed the Southeast Asia evacuation operations in

1975.

Advanced to Brigadier General in March 1976, General Gray served as Commanding General, Landing Force Training Command, Atlantic, and the 4th Marine Amphibious Brigade. Promoted to Major General in February 1980, he assumed command of the 2d Marine Division, FMF, Atlantic, Camp Lejeune, NC, in June 1981. Following his promotion to Lieutenant General on 29 August 1984, he was reassigned as Commanding General, FMF Atlantic/Commanding General, II MAF, and Commanding General, FMF, Europe. General Gray was promoted to General and became Commandant of the Marine Corps on 1 July 1987.

He is married to the former Jan Goss of Burlington, VT.

Mr. Chairman and Members of the Committee:

I appreciate your invitation to appear before the Judiciary Committee and I welcome the opportunity to discuss the actions which have been taken by the Department of Defense in the fight against illicit drugs. At your request, I will specifically address the Department's implementation of the new missions and responsibilities which were assigned to the Department of Defense by the National Defense Authorization Acts and the Anti-Drug Abuse Acts.

I appear here today in my capacity as the Department of Defense Coordinator for Drug Enforcement Policy and Support. Appearing with me is General A. M. Gray, Jr., the Commandant of the United States Marine Corps.

Before I discuss the implementation of the new responsibilities which have recently been assumed by the Department, permit me to briefly summarize the reporting and related requirements which were contained in last year's Authorization Act and in other anti-drug legislation.

I am pleased to report that the Department has complied with all of the reporting requirements in the FY 1986 Anti-Drug Abuse Act and it has provided certain equipment to Federal law enforcement agencies as mandated by that statute. The equipment which has been provided includes two E-2C airborne early warning aircraft each to the Customs Service and the Coast Guard, land-based aerostats for the southwest border and the Caribbean, and Blackhawk helicopters to the Customs Service. The FY 1987 Defense

Authorization Act required the Department to report to the Congress on a plan to allow a more efficient use of the Department's resources in combatting drug trafficking. That report has been submitted to the Congress.

The FY 1988 Defense Authorization Act required the Department to submit a drug law enforcement assistance plan to the Congress. This plan has been submitted and the required conference to discuss and implement the report has been completed. That statute further required the Department to transfer money to the Coast Guard for drug-related purposes. That transfer has also been completed. The FY 1988 Anti-Drug Abuse Act, although comprehensive in nature, did not focus on the role of the Department of Defense.

Recently Assigned Responsibilities

The FY 1989 National Defense Authorization Act initiated a new era in DoD support of law enforcement agencies. Title XI of the Act gave the Defense Department significant new responsibilities, including responsibility as the single lead agency of the Federal Government for the detection and monitoring of the aerial and maritime transit of illegal drugs into the United States; planning responsibility for a communications network that will support the integration of U.S. command, control, communications and technical intelligence assets dedicated to drug interdiction; and an enhanced role for the National Guard, under the direction of state governors, to support state drug interdiction and law enforcement operations. I will briefly describe our actions to date to perform each of these new missions.

Expanded Use of the National Guard

The FY 1989 Authorization Act earmarked the sum of at least $40 million to be used by the National Guard in support of law enforcement agencies. In order to receive funds, the Governors of the states were invited to submit to the Secretary of Defense proposed plans for the use of the National Guard (in their "state" or Title 32 status) in drug enforcement and interdiction operations. Each plan has been reviewed by the Department to ensure that it is operationally feasible and that the costing methodology is correct. The provisions of the statute require the Secretary of Defense to consult with the Attorney General regarding the adequacy of each plan before authorizing the release of funds for the pay, allowances, clothing, subsistence, gratuities, travel, the costs of the operation and maintenance of equipment, and various other expenses expected to be incurred by the National Guard in the implementation of each plan. Such consultation has taken place in connection with each plan that has been approved.

The statute further requires that the participation by National Guard personnel in anti-drug operations be service in addition to the annual training required by law. As a general proposition, the Authorization Act expressly prohibits the Department from providing support (including the provision of any equipment or facility or the assignment or detail of any personnel) to civilian law enforcement officials if the provision of the support will adversely affect the military preparedness of the United States.

To date, the Secretary of Defense has approved 52 separate state plans and directed the transfer of more than $40 million to the states to implement those plans. As of August 15, 1989, over 68,000 mandays of effort have been provided by the National Guard in 44 separate states in support of law enforcement agencies engaged in drug interdiction. The National Guard support has included such activities as cargo searches at land border entry points and seaports; aerial and radar surveillance of borders and select air corridors; transportation support; the loan of equipment; training; ground reconnaissance of border and isolated air strips; and communications support. One of the more successful operations was Border Ranger II which was conducted by the California National Guard in June. The operation was significant in that it involved a 30-day sustained effort along the Southern border of California, and detailed coordination between the California National Guard, the Customs Service, the Border Patrol, the California Department of Corrections, the Marine Corps, the Army, and several local sheriffs' departments.

C3I Communications Network

The FY 1989 Authorization Act also directed the Secretary of Defense to integrate the command, control, communications, and technical intelligence assets of the United States that are dedicated to the interdiction of illegal drugs, into an effective communications network. Long before the legislation was enacted, however, DoD had been actively involved in this area. The Department established and chaired the Interagency Working Group for Drug Enforcement Communications in April 1987.

The Department has completed the requirement to prepare a report for submission by the President to Congress describing the plan for the integration of C3I assets. That report reflects close interagency cooperation and it focuses on the communications support for drug interdiction and responsibilities for operating the communications network. It describes the funding methodology which will be used to establish a secure interoperable, interagency communications infrastructure to support drug interdiction efforts. It highlights the fact that the communications network for drug interdiction is comprised of several communications subsystems and that the components of these subsystems serve a multipurpose function and are not necessarily dedicated for drug interdiction support. It is intended that some $60 million of the $300 million that was appropriated last year for the DoD anti-drug effort is being used for the acquisition of communications equipment for loan to drug enforcement agencies.

The Detection and Monitoring Mission

Shortly after the Department of Defense was designated as the lead agency for the detection and monitoring mission, then Secretary of Defense Carlucci assigned to the Chairman of the Joint Chiefs of Staff, the responsibility for defining the organizational responsibilities and developing the necessary plans to implement the mission. The general task is to detect aerial and maritime traffic attempting to illegally transport drugs into the United States, and to monitor this traffic until it is suc-

cessfully handed off to law enforcement agency personnel who can search and arrest the drug traffickers and seize their vessels. Last December, the regional execution of the mission was ordered through the Chairman of the Joint Chiefs of Staff. USCINCLANT, USCINCPAC, CINCNORAD, and USCINCSO are now responsible for DoD's anti-drug operations within their respective functional or geographic areas of responsibility. The command and control organizations of the CINCs are simple and direct. Two joint task forces have been created and dedicated to the anti-drug surveillance missions. The Commander of Joint Task Force 4 in Key West, Florida, is a Coast Guard Vice Admiral who reports to USCINCLANT. The Commander of Joint Task Force 5 in Alameda, California, is a Coast Guard Rear Admiral who reports to USCINCPAC. Both have extensive anti-drug and maritime experience. The other two CINCs, CINCNORAD and CINCSOUTH, have elected to build on their existing organizations and to execute their operations from their command locations in Colorado Springs, Colorado, and Panama City, Panama, respectively.

The four CINCs gather and process multi-source tactical intelligence information, make use of data available from limited fixed surveillance assets, and coordinate or direct the efficient and effective application of mobile tactical surveillance assets to fill in gaps of radar coverage, conduct surge operations, and extend radar surveillance. Each regional commander has established a regional intelligence apparatus to obtain real-time, tactical information on drug trafficking within their areas of responsibility so that it can be shared with other federal agen-

cies. This interchange is vital to an efficient and effective application of limited apprehension resource assets. Through the exchange of liaison officers, memoranda of agreement, direct secure telecommunications, and connecting key anti-drug command and control nodes, the Department is in the process of establishing enhanced, secure, and interoperable communications between the regional DoD detection and monitoring activities, and the key law enforcement agencies/C3I centers.

An efficient utilization of surveillance assets is key to the detection and monitoring mission. The primary fixed assets which are available include several aerostats and the Joint Surveillance System's coastal radars. Mobile tactical surveillance assets which are being applied to this mission include: airborne early warning and reconnaissance aircraft, deployable ground-based radar systems, naval combatants and NORAD's air defense fighter forces. Our future plans call for the appropriate use of strategic radar systems now under development, and the acquisition of additional fixed and mobile sensors.

Other Uses of DoD Resources

As you may know, the Department of Defense has historically provided substantial support to various drug law enforcement agencies. That support has included intelligence, planning and communications support, and the loan of DoD equipment. At the present, we have over $300 million worth of equipment on loan to various drug law enforcement agencies. These loans range from Navy E-2C aircraft and Blackhawk helicopters, to M-16 rifles. We

also provide extensive surveillance support by both Active and Reserve personnel along the Nation's border and coastal areas. For example, in FY 1988, we provided over 28,000 flying hours and over 2,000 ship days in support of law enforcement efforts.

Over 60 DoD personnel are assigned to drug law enforcement agencies on a full-time basis. We provide extensive formal training in DoD schools and on-site training in foreign countries to support interdiction and eradication operations. In the past two years we have trained over 250 U.S. government personnel and at least 500 foreign personnel in skills such as operational planning, logistics, weapons proficiency, jungle survival skills, basic individual combat training, and language proficiency. We have or have had on a recurring basis, Mobile Training Teams in Colombia, Bolivia, Ecuador, Costa Rica, the Bahamas, and occasionally in other source and transit countries. In FY 1988, we expedited the transfer of 26 excess UH-1H helicopters from the Army to the Department of State for use outside the country and we have offered this year to transfer 15 P-3A aircraft to the law enforcement agencies.

We have also provided recent support to the efforts of the Director of the Office of National Drug Control Policy to give emergency assistance to anti-drug efforts within the District of Columbia. Military lawyers have been assigned to augment the staff of the U.S. Attorney for the District and intelligence analysts have been assigned to the Metropolitan Area Task Force.

Drug Free Armed Forces

In recent years, the sustained commitment of the Department of Defense to drug abuse education, testing, treatment, and enforcement programs has achieved significant results. Since 1980, reported drug abuse among members of the Armed Forces has declined 82 percent, a drop largely attributable to a combination of intensive random urinalysis testing and the commitment to a zero-tolerance goal by personnel at every level.

The Department's civilian employee drug testing program was initiated in January 1983, when the Navy began testing civilians in the Military Sealift Command. The Department of the Army began testing civilians in February 1986. This year, the civilian testing program has been expanded so that each Service and DoD component may randomly test civilians who occupy certain designated positions. The Services and DoD components may also test applicants for these positions, and individuals involved in safety accidents or reasonably suspected of drug abuse.

We have increased the awareness within the DoD community of the negative effects of drug abuse on the individual and on productivity and safety in the workplace. Our military recruiters have been charged with the promotion of a drug-free America in their frequent contacts with youth, through recruiter interviews, videos, posters, and pamphlets. Each Military Service has developed other unique programs to promote a drug-free America. The Department has also extended a special challenge to the citizen-soldiers of the National Guard and Reserve forces to carry the message on drug abuse eradication into their workplaces, schools, and communities.

The Department of Defense is responsible for the education of over 190,000 DoD dependent children. Several new programs have been initiated to inform these children about the dangers of illegal drug use. A new education prevention program modeled after D.A.R.E. (Drug Abuse Resistance Education), a joint project of the Los Angeles Police Department and the Los Angeles Unified School District, is being conducted in the DoD schools. This program uses military policemen as instructors in drug abuse prevention in elementary and middle schools. In addition to the D.A.R.E. program, all DoD schools are participating in the nationwide federal campaign to ensure that DoD schools are free from drugs.

Recent Developments

Several additional and significant developments have taken place within the Department of Defense in recent months in connection with the fight against illegal drugs.

First, Secretary Cheney has given clear guidance about the importance of the Department's efforts in this critical fight. Recently, for example, the Secretary formally declared that the fight against illegal drugs is a "high priority national security mission" of the Department of Defense and he directed the Department of Defense to provide substantial and effective support in the execution of the President's National Drug Control Strategy. The Secretary has further directed that one of the two main issues to be the subject of current program and budget planning for the years FY 1992-97, be the question of the

interests of the United States in Latin America of countering the production and trafficking of illegal drugs and of assisting countries in providing for their own security.

Second, the Military Departments have focused a great deal of effort and attention on the question of how the Armed Forces can provide maximum support to the implementation of the President's anticipated National Drug Control Strategy. A series of meetings involving the senior civilian and uniformed leadership of the Department has taken place in recent weeks as we work to develop effective plans which reflect Secretary Cheney's commitment to this critical fight.

Conclusion

In his February 9, 1989 address to the Congress, the President declared:

> "Let this be recorded as the time when America rose up and said 'No' to drugs. The scourge of drugs must be stopped...The war [on drugs] will be waged on all fronts.
>
> "Some money will be used to expand treatment to the poor, and to young mothers. This will offer the helping hand to the many innocent victims of drugs--like the thousands of babies born addicted, or with AIDS, because of the mother's addition. Some will be used to cut the waiting time for treatment. Some money will be devoted to those urban schools where the emergency is now the worst. And much of it will be used to protect our borders, with help from the Coast Guard, the Customs Service, the departments of State and Justice, and yes, the U.S. Military."

Mr. Chairman, I assure you that our nation's Armed Forces recognize both the importance and the urgency of this critical

national problem. They are making a very energetic effort to not only perform the major new responsibilities which have been assigned to the Department of Defense, but also to explore yet other ways in which the Armed Forces might be effectively employed in this fight.

The solution to this national challenge lies primarily in the reduction of the demand for illegal drugs within the United States. Ultimately, of course, the Nation will be rid of the scourge of illegal drugs only through the sustained application of the energy, courage and determination of the American people. The Department of Defense, can, however, along with the other agencies of government, advance that national objective substantially through the effective application of available resources and in the context of our national values and legal heritage.

Mr. Chairman, this completes my statement. Thank you for the privilege of appearing before the Committee.

The CHAIRMAN. I want to concur with the essence of what you said, Mr. Duncan. We have all been sort of improvising as we go. I don't think many people 10 years ago anticipated the immensity of this problem, and we, the Congress and the President, have added responsibilities to your plate, and I suspect more will be added in the near term. So, much of what we are doing and much of what I want to talk about today is about what are we learning as we go along. I want to say for the record as I have said all along, to the chagrin of some, that I don't expect the President or Dr. Bennett to make nearly the progress some are expecting. I think it is not humanly possible in 1 year or 2 years to make that kind of change. So, of all the questions that I will ask you today, I don't want any of them to be interpreted as criticism; they are not. I am really seeking information, because this is a new game in town, and a new responsibility.

I know that my colleague from South Carolina is going to have to go to catch his plane. Did you want to say anything, Senator Thurmond?

Senator THURMOND. Thank you very much, Mr. Chairman.

I have some questions of the various witnesses, and if they would be kind enough to answer them for the record, I would appreciate it.

We are delighted to have you gentlemen here, and we thank you for your appearance.

The CHAIRMAN. I have no doubt they will all answer them because everybody here knows that no drug policy will be ultimately enacted unless the Senator from South Carolina participates fully in that process, as he has been a leader in this.

Senator THURMOND. Well, we are very fortunate to have a chairman of the Judiciary Committee who wants to do something about this, and we'll work together.

Thank you very much.

The CHAIRMAN. We always work well together because I still treat him as if he were the chairman. So, it all works out right; he still runs the show.

Mr. Chairman, have a nice flight.

Senator THURMOND. Thank you very much.

The CHAIRMAN. How do you take over a committee from a man who has been in the Senate longer than anyone else in the U.S. Senate and moving toward a historical record, and is still able to move faster and longer and with greater tenacity than anybody else in the Senate? I have learned, General, that the way you do that is you just do what he wants to do, and it usually works out.

Let me get to it. Many of my colleagues and I have in the past, as you know, been concerned about whether or not the Pentagon, as well as the State Department, the Treasury Department, and a number of others I can name and will not go through, whether or not they have viewed—in this case, the Pentagon has viewed—the drug problem with as much urgency as some of us in the Congress have viewed it, and about their willingness—in your case, the Defense Department's willingness—to participate more fully in a broad spectrum of drug-related efforts.

Now, at this time, Mr. Secretary, you are the Assistant Secretary of Defense for Reserve Affairs; that's the proper title, correct?

Mr. DUNCAN. Yes, sir.

The CHAIRMAN. And in that capacity, as I understand it, you are responsible for more than 1.5 million women and men in the Army, Navy, Air Force, and Marine Corps Reserves; is that correct?

Mr. DUNCAN. That's correct, yes, sir.

The CHAIRMAN. And all of the National Guard units as well, throughout the country.

Mr. DUNCAN. That's correct.

The CHAIRMAN. In addition, you were recently assigned to be the Pentagon's top official for the antidrug efforts; is that correct?

Mr. DUNCAN. That's correct, DOD coordinator.

The CHAIRMAN. So, that is coordinating all the antidrug activities that the Army, Navy, Air Force, Marine Corps, and National Guard will or will not be involved in; is that correct?

Mr. DUNCAN. For all of the armed services, not just the reserve components. I might just correct one comment you made, Senator. I am responsible as far as the senior advisor to the Secretary of Defense, but of course operationally, the Guard Bureau acts through the Chief and the Vice-Chief of the Guard Bureau. But yes, I am the senior advisor to the Secretary of Defense on all of the Reserve components.

The CHAIRMAN. And coordinating all of that effort as well.

Mr. DUNCAN. That's correct.

The CHAIRMAN. Now, given the importance of the active duty drug-fighting role that the Congress and the President have assigned the Defense Department thus far, and what may be assigned to the Defense Department coming up after September and after the Congress has reviewed—and I am making no prejudgment—but after the Congress has reviewed the recommendations of the President, what may be added to that assignment, why is the responsibility for the drug issue assigned to a man who already has his plate full, who has a full-time and significant job of the Office of Reserve Affairs?

Why you—not you personally, but why is that responsibility laid on top of your existing responsibilities?

Mr. DUNCAN. Senator, I really do not have an answer. I would not presume to speak for Secretary Cheney. He has not shared with me why he asked me to do this. It is a fact, though, that the National Guard, under the direction of the various Governors, has played a major part of the Department's antidrug efforts to date. It is not that the other Federal Reserve component forces have not been involved—they have been—but the National Guard has been perhaps more directly involved and of course, because of the legislation last year, specific moneys were directed for the use of the National Guard, some $40 million.

Also—again, I am speculating, because I really don't know—but during the course of the transition, Secretary Cheney recommended my continuance in office to the President. I can't say anything about that, because I don't know anything about that, but I will say that I was in place and available to take charge of something that both the President and the Secretary have placed a very high priority on. And to the extent that the Reserve forces will play an increasing role in this fight, along with the Active Forces, I presume that was the reason.

I might also hasten to say that I am a policy advisor to the Secretary; I am not involved in any way in day-to-day operations, and the day-to-day operations for the detection and monitoring mission, for example, are under the Commander in Chief of all U.S. Forces for the Atlantic and the Commander in Chief of U.S. Forces for the Pacific and CINCNORAD and CINCSOUTH, and we have very capable military leadership to take that. It's not like I have to worry about that on an hour-by-hour basis. What I do is advise the Secretary and the Deputy Secretary about policies and procedures and deal with the Congress, and I have a very capable staff, so while I don't want to minimize the importance of the job—it is critically important—on the other hand, it is one that I am getting an awful lot of support directly from the Secretary and the Deputy Secretary on, and all of the military leaders and senior civilian leadership of the Department.

So again, I don't know—the Secretary hasn't shared with me precisely why he asked me to do it, but it is clear that a job needs to be done, and he asked me to step out smartly, and we are trying to do that.

The CHAIRMAN. Well, again, I am in no way criticizing your functioning in that position, or your personal capabilities. I have heard nothing but positive things about your personal capabilities. But in the past several years, Congress has passed numerous laws expanding the Pentagon's drug mission, as I said. For example, last year, we effectively designated the Department of Defense to be the lead agency responsible for the detection and surveillance of drug shipments across our borders. Now, it seems to me that that requires a leadership role for the Department of Defense that is essentially a day-to-day leadership for the Department's antidrug efforts.

My real question is shouldn't this responsibility be assigned to you and not have the other responsibilities, or should it not be assigned to someone who can devote their full-time attention to the drug issue rather than have to split their responsibilities?

Mr. DUNCAN. Let me respond in this way. First of all, you could make an argument from an organizational standpoint that any of the Assistant Secretaries of Defense, or several of them, might be an appropriate place to vest this responsibility. For example, prior to April the 22d of this year, the responsibility was vested in the office of the Assistant Secretary of Defense for Force Management and Personnel. You could also argue that the Assistant Secretary for Command Control and Communications and Intelligence would be a possible choice, because part of the mission relates to C3I. You could also argue that the Assistant Secretary for Special Operations and Low-Intensity Conflict might be a candidate, because that's a possibility.

But I take the broad view, and I am speaking only for Steve Duncan, that any Secretary of Defense is going to be held accountable for his management and stewardship of the Department, and therefore he ought to have as much flexibility as possible to manage the Department in any way he sees fit, and then he and his lieutenants ought to be held accountable.

I don't know, because Secretary Cheney hasn't shared with me why he asked me to do this, but I will tell you that it was his choice, and I have a great deal of confidence in the Secretary, and I

guess he is experienced enough to know that if it is something that doesn't work, he'll change it. But that was his choice, and I think that we should do everything that we can to support it.

Now, is my plate full—yes, but you have to also understand I am not here by myself. I have, for example, a full-time Deputy Assistant Secretary of Defense who does nothing but drug enforcement policy and support, and the Secretary has authorized yet another Deputy Assistant Secretary. We have good support within the Department, and while I may be the senior advisor to the Secretary, it's not like I'm out there by myself. There are many quality people working full-time on this important issue in the Department, and it has been elevated not just in status but as far as the resources of the position in recent weeks and months under Secretary Cheney.

The CHAIRMAN. Well, I suspect I know why he chose you, Secretary Duncan. I suspect he chose you because of your personal qualities and capabilities—although I don't know that, knowing of you, I suspect that's the reason you were chosen.

I will return at a later date—when I say "later date," I mean after September, when we begin the oversight hearings on the proposals—depending on what added activities the Congress ultimately assigns, the President agrees or doesn't agree to assign, or we agree with the President's recommendations to assign to the Defense Department. I just raise the question, not for response at this moment, but in order to raise the question as to whether or not there should be a new Assistant Secretary position created.

I'm not suggesting that at this moment. You have answered my question thoroughly. But I suspect your responsibilities are going to further increase. I know you have people under you who have nothing but that responsibility, and that may be sufficient. I'm not making a judgment. I'm just trying to find out information.

Now, there are a number of things that a Senator learns whether or not he is the chairman of this committee, and that is never ignore the Commandant of the Marine Corps no matter who he or she may be. And the fact of the matter is that the reason I have not asked, General, for your testimony, is that I was under the assumption that you did not have an opening statement, that the Secretary was speaking for the Department. But before I go on to some other questions, I would like to ask if there is any brief statement you would like to make. I have a number of questions for you as well, but I wonder if at this moment there is any particular comment you would like to make before I proceed with the Secretary.

STATEMENT OF GENERAL GRAY

General GRAY. Thank you very much, Mr. Chairman.

I simply would like to make a few important points. The Department of Defense has prepared a very thorough audit trail report of where we are today which we request be submitted for the record, and which I commend to all of the committee. We have gone over the report very carefully ourselves. Not just as the Commandant, but more importantly, as a member of the Joint Chief of Staff, I throw my entire professional reputation behind the facts and data, and the effort that the Department of Defense has made to meet this challenge and the recent legislation.

I would add a gratuity. I wouldn't speak for the Secretary of Defense, either. I asked somewhat the same question about Mr. Duncan's new assignment as the DOD drug coordinator, primarily because the senior military officer involved in this operation for some years has been a Marine general, and has now been very superbly replaced by an Army general. We were concerned in terms of the turnover and how this would fall out.

The Secretary of Defense saw very quickly and clearly the need to focus on the drug war requirement and the counternarcotics capabilities of the Department of Defense. He wanted to strengthen and centralize that position quickly, even though it was a time of transition. Mr. Duncan is being somewhat modest here, and I don't intend to stroke him publicly, but he has moved quickly in this area.

The Secretary of Defense has been his own drug czar from my vantage point, and I think that he clearly stays on top of the issues. We have augmented Mr. Duncan's office, considerably with key civilian and military personnel who, as he has indicated, work fulltime.

On the Joint Chiefs of Staff side, we have had a number of meetings and maintained a steady planning process. As you know from earlier witnesses who have appeared over time to the various subcommittees and committees, the unified commanders were brought into play as early as last December. They were given alert orders, and told to develop concepts of operations and to prepare to implement plans. Many have already been implemented, such as the Joint Task Forces Four and Five, the integration and augmentation of the staffs in Panama, in the NORAD command post, in the forces command, and the like. Everybody is moving out smartly. As we look at both the demand and the supply side challenges—and they are immense as you and the distinguished Senator from South Carolina have alluded to already, in terms of the money involved, and in terms of the complexity of the issue—I think that initiatives are bubbling up and being reviewed thoughtfully. People are fully locked and loaded to be proactive. I won't speak for the other services, but they parallel the kind of activity in which the Marine Corps has been involved.

We have been deeply involved in training drug enforcement agents for some time in matters paramilitary to include all of the battle and operational-level skills that they will need to participate in these kinds of endeavors in foreign countries. We have, along with the other services, provided a lot of equipment, and will continue this type of support. We have augmented Mr. Duncan's staff, provided support to Mr. Bennett's office, and assigned crackerjack Marine intelligence officers and senior staff noncommissioned officers to various joint task forces. We are very active in interagency activities throughout the entire intelligence community in the greater Washington area. My colleagues in the other services are doing the same.

I would predict that when we see the comprehensive strategy that is being evolved, and consider the ongoing effort within the Department of Defense, our approach will resemble the way we plan our amphibious operations, with concurrent and parallel planning. Nobody is waiting passively for the magic day this fall for

something to be announced. Everybody is moving forward, leaning forward in the foxholes. I would predict a virtual explosion of well-thought-out activity as we proceed down the planning trail. Our actions will be consistent with available resources, and the Nation's priorities. For example, you will see in our statement that the Department of Defense is already planning within resource levels, planning resource activity in the budget process to get better at this aggregate effort. So I think on balance we are moving along very well.

I would add two other caveats. In my view, the Nation clearly needs a grand strategy. Everybody not only has to play, but everybody is going to have to pay. There is a great deal that must be done on both the demand and supply sides, and you and Senator Thurmond have alluded to some of the perhaps "rights" that may have to be modified somewhat if we are really serious.

I would also say that the supply side and the main focus of this hearing is crucial. In my judgment, in military terminology, the center of gravity is on the demand side. We must win the demand side war through a comprehensive effort in this country that runs the gamut of all the ideas many of you have talked about, read about, and testified about. This includes education, the need to provide alternatives for our youth, and making certain that those "role models" in the Cadillacs with the pockets full of 100-dollar bills are no longer role models. I would like to see some of them dragging a ball and chain down the streets of Washington pushing a broom; that might change the perception a little bit of what these "role models" are really all about. We need a comprehensive effort, and this idea that a large segment of the American public can sit back and simply fund some kind of activity that is going to get rid of drugs is going to fall short of achieving the victory that we need.

Everybody is going to have to get involved. This idea of boot camps that has recently taken hold bothers me. It is a total misperception, this idea that has been forwarded through the media and through totally incorrect movies like "Full Metal Jacket" and other films and TV shows. The idea that the guy in the Stetson hat with sunglasses is going to order a bunch of people around who have been caught using drugs, and, all of a sudden, create productive members of society, is out in deep left-center field.

The recruit training process of the military starts off with people who aren't drug users and goes on to build professional Marines or soldiers. It is a totally different type of socialization process.

What the media are talking about is correctional custody. We have that, too. In our case in the military, you've got a good man who has gone astray a little bit, and so you give him a chance to get back into the mainstream, where he belongs. If he doesn't, he goes.

I think we are just going to have to take a very comprehensive, long-term look. You are talking about a long, long, long campaign in this country and in regions overseas. That's why if we plan an operation, we will go through the unified commanders. What they do best is develop campaign plans.

I worry about this incarceration-type idea and this quote-unquote "boot camp" idea. I can tell you up front, it will fail if you provide

no alternatives for the graduates of this custodial program. We need to go well beyond that.

I have a few other nonemotional views on this, but I have already taken more than my time here, Mr. Chairman.

Thank you.

The CHAIRMAN. Well, General, there are a couple of comments I'd like to make. No. 1, I have been doing this job for almost 17 years, and probably 12 of it on this subject and, I suspect, whether or not I have been productive, probably more hours than anybody in the U.S. Senate on this precise subject, and a very refreshing thing just happened with your testimony. Up until now, there has been, I believe, an understandable reluctance on the part of the military to immerse themselves in this subject--and it is totally understandable. Your job is to train fighting women and men to protect the United States of America, and it has not been in the past to fight something that has turned out to be even a more deadly enemy than one we have faced in the recent past, and that is drugs.

And to hear you, it sounds like the military is onboard, that the mindset has been changed. I don't mean to imply that the military is not concerned about drugs, but it seems to me you now think—and it has emerged over time—that you are willing and ready and even anxious to play a constructive role that goes beyond merely treating those within the military who may or may not be involved in and/or addicted to drugs. I think that's the best news that is going to come out of this hearing today. You implied that in your statement, Mr. Secretary, and I compliment you both for that.

The second comment I'd like to make, General—and I hope everybody heard it; I know you said it clearly and forcefully, but I hope they focused on it—we have now had the Commandant of the Marine Corps; the chief law enforcement officer of the United States of America, the Attorney General; the leading law enforcement officers in every major city in America; the leading law enforcement officers of every organization in America from the chiefs of police to the FOP, et cetera, all say what you just said: The center of gravity is on the demand side—you all are willing to do your part, but the center of gravity, to use your phrase, is on the demand side. I think it is critical that everybody hear that as well as the need for us to do more, get tougher, and provide more resources.

Let me now move on to some specific questions. I'm going to essentially concentrate on some questions for you, Mr. Secretary, and then shift to you, General, but please, either of you, do not hesitate to interject additional comments that either would like to make of questions I ask to either one of you. That is one of the luxuries of holding these hearings in August—it is you and me, boys—so we have time.

Last year, Mr. Secretary, the General Accounting Office issued a report assessing the cost effectiveness of what were the beginning efforts of military drug interdiction efforts. I say "beginning"; this has been a gradual process. Among the report's major findings were the following.

In 1987, the Air Force spent $2.6 million flying drug detection missions resulting in 10 arrests, a cost of more than a quarter mil-

lion dollars per arrest. In one of the Navy's antidrug programs, we spent $40 million, which resulted in 20 seizures—a cost of $2 million per seizure.

Now, again, I realize we are just beginning, we are learning. But how can we improve the cost effectiveness, if we can, of drug interdiction efforts by U.S. military units?

Mr. DUNCAN. Two quick observations on that. First of all, I think that conclusion was premature at best. Let me explain why. We have started what we call a fence, but it is essentially a radar network across the Caribbean and the southern borders of the United States, and we have made certain purchases of land-based aerostats, and we are in the process of considering semisubmersible aerostats and so forth. But that fence is not complete. It is like a fence around your yard; if it is half a fence, it is a little premature to go in and make conclusions about how effective the fence is when it is only half-built.

I would urge that you give us an opportunity to complete the radar network, and then after we've done that, let's assess, using common sense and some hard-headed analysis, but let's make a judgment then about how effective the whole surveillance scheme and network is, but it is in my opinion premature to reach those kinds of broad conclusions until we have completed the fence.

The second observation I would make has to do with sometimes there is a misunderstanding about interdiction. The Department of Defense's current role is as the lead Federal agency for the detection and monitoring of aerial and maritime transit of illegal drugs. Now, interdiction generally is broader than that. From the time you detect an airplane, let's say, you monitor that airplane, and then what happens to it at the tail end of the interdiction process—that's where law enforcement agencies come into play, because if the plane is forced down or otherwise lands on its own, what happens to the arrest part—that's a law enforcement function, and the Department of Defense is not involved directly in the law enforcement function.

So part of the challenge that we are facing right now is the interrelationship between the Federal and local law enforcement agencies on the one hand and the responsibilities of the Department of Defense for detection and monitoring. We should be under no illusion that that is going to be solved in 24 hours, but I will tell you a great deal of progress has been made in recent weeks and months on that.

I guess in summary, Mr. Chairman, I would suggest let's wait until our surveillance fence is completed, and let's give us an opportunity to allow the commanders in chief through the joint task forces to put the assets into full play, and then let's be realistic about an assessment after we've had some experience working with local law enforcement agencies. It is not a natural mission; it is not something that has been done historically; it may work or it may not—but in my opinion, it is premature to make those judgments.

General GRAY. Could I just add——

The CHAIRMAN. Please, General.

General GRAY. Let me just add, as you alluded to, Mr. Chairman, that you are dealing with an enormously powerful group of cartels and people. The five leading drug dealers, as you point out, in Co-

lombia alone make Fortune 500 pale. Within that construct. they have everything going for them because they are ruthless. They will stoop to no end to do what has to be done, including intimidation, terrorism, and the like. But above all, they've got very good equipment; they are good, they are smart. They are a very formidable enemy.

I would take it a step further and say that we already have improved the overall intelligence and operational exploitation of that information. It is very difficult to do this in a democratic environment. The drug cartel people can buy all kinds of information. Every time we raise our hands and say let's have more security, we all know what happens. But we must focus on that point where security breaks down. We have to understand that the law enforcement side, the people who take the drug dealers down, and make the arrests, they, by the very nature of what they do, are smaller organizations. In the past, we've had times when our security has broken down. For example, we have flown forward-looking infrared missions for years in southern California, but now we are coordinating our efforts with local law enforcement. In June, we ran an integrated operation with the law enforcement agencies, and the California National Guard, using active duty military forces, border patrol, and so on. Our efforts are coming together. That's the key. You have got to be able to act at the right time, in the right place, for the right reason, with what I will always call minimum resources, because you are always going to be spread very thin.

I think you are going to see a turnaround. I also have a great dislike for all of the quantifying-type reports and this and that and so on—the so-called bean-counters. That's a ridiculous approach, but I will bow to whomever wants to have these studies done. There ought to be better ways to find out whether or not you are making a dent in this thing than counting the number of arrests. You ought to be able to begin to see it in the streets of New York and Los Angeles and everywhere else. You'll see it in a more visible opposition to drugs in our communities. And you'll see it in the efforts people will go through to try to avoid detection, capture, and so on.

It is going to get violent. If you want to call this a war, then all wars end up somewhat uncivilized, and people need to keep this in mind. People get killed, some get locked away for life, and a few things like that, and it makes it tougher along the way.

The information used to break down because you had limited resources; you had to go in and do what had to be done and get that information back at the right time, at the right place. A big chunk of the new drug legislation and the effort within DOD and the Joint Chiefs is to correct that deficit. I think we've done that.

Mr. DUNCAN. Mr. Chairman, could I make one follow-on observation about the measurement of success? One of the difficulties we have here is how do you measure a negative.

For example, if we establish our radar surveillance fence, and if we really become quite effective as we intend to be with the coordination between State and local law enforcement agencies and the Department of Defense, how do you measure the plane that never took off because of the fear that the pilot of the plane would be

arrested? How do you measure deterrence? We know we can measure deterrence in the central plans of Europe by the fact that we've not had a war since the end of World War II. But how do you measure the number of flights that didn't come? And to the extent that we can be successful in disrupting the supply and making the suppliers change their tactics and go to extra lengths and to incur increased risks, those are very difficult things to measure, but we may be having some success that is not obviously apparent in the number of arrests.

The CHAIRMAN. Well, the figures for 1987—based on what you gentlemen have said in response to the question, it seems as though you don't fundamentally disagree with one of the recommendations made by the GAO, which is that, rather than increasing random surveillance flights, you should beef up intelligence capabilities so that we target military assets more effectively. Based on what you both said, that's essentially what you are doing, as well as you added an added dimension, and that is the coordination that takes place with local and State law enforcement agencies as well.

General GRAY. Beefing up the intelligence capabilities and the use of intelligence of those organizations has been a prime——

The CHAIRMAN. Yes, of the local organizations as well.

General GRAY. That's right, local and State law enforcement, and integration has been a key point.

The CHAIRMAN. And that is something that you have been aware of and have been working on; is that correct?

Mr. DUNCAN. Yes, sir.

The CHAIRMAN. There is one way to measure, by the way—you are right, you cannot measure the flight that didn't take off—but you can measure the success of dealing with the amount of heroin and cocaine that is being brought into the country, and that is when volume increases, and the street price, notwithstanding all our heroic efforts, does not go up very much. If the street price is essentially the same, you know you're not making much of a dent. It goes up when there is a scarcity.

Let me raise the following question. Interagency rivalries we all know about, but there have been assertions that interservice rivalries have hindered the Defense Department mission, including antidrug activities, just as our domestic drug enforcement efforts have been plagued by bureaucratic infighting.

In response to the problem, if it exists—and you will speak to that, I am sure—of interservice rivalry among special operations units of the U.S. military, Congress passed a law creating a new Assistant Secretary of Defense for Special Operations in 1986. The act also created an integrated combat command for special operations, to ensure clear lines of authority among the services in command—at least that was my understanding. I assume it made it better; it may not have. You can speak to that.

Now, my question is have the integrated command and the new Assistant Secretary position improved coordination and effectiveness, or has it not had any impact?

General GRAY. I think that it has improved the overall coordination, certainly the visibility and the programmatic and budget aspects of it. I have to say very candidly that I never believed a lot of

that was truly necessary, but that's not the issue. It has happened, and I think that if my good friend, General Lindsey, were here, he would say that certainly the Special Operations Command has moved forward. Clearly, that is what we believe within the Department of Defense and within the Joint Chiefs of Staff.

With respect to this interservice rivalry and all of that, and whether it is interagency or interservice and the like, sometimes strong people who believe in what must be done are going to differ, and that's frequently played off as interservice rivalry or interagency. It is always nice to criticize and use the word bureaucracy, but there has to be some kind of format by which we get things done.

My own view is that much of this is overplayed, particularly inside the beltway. In the two wars in which I have been involved, I have never been on a crowded battlefield. A smart warrior takes all the help he can get and doesn't really look at what color uniform, even in the allied services, as long as he is friendly.

I think it is a little bit like Shakespeare: "Much ado about nothing." We need to press on to more important challenges here.

The CHAIRMAN. Well, you have answered my second question, which relates to the proposal for this integrated operations unit, we will talk about it later, at the next hearing. The proposal and the issue is whether or not there should be a new Assistant Secretary of Defense for Drugs along an integrated antidrug command line similar to what Senator Nunn proposed for special operations.

Let me move on so I don't keep you gentlemen here the entire day.

General, many foreign and military policy experts have argued that we should only commit U.S. troops abroad when there are three fundamental factors in place—first, with explicit support from the host country; second, with clear support of the U.S. public; and third, when there is a clearly defined military mission.

Would you agree that as a general proposition these three factors should be present when we make decisions to commit U.S. military forces in a third country?

General GRAY. In general those precepts are valid and should always be used as a term of reference. Within the construct of this entire topic, what you are really dealing with here is conflict, protracted conflict, at the lower end of the spectrum. Some like to call this low-intensity conflict, and it goes by many other titles, everything from insurgency conflict, insurgency people's war, et cetera. My own term happens to be revolutionary warfare. This is a revolutionary warfare kind of an environment. You can see this with respect to the terrorism challenge we face, and you can see this with respect to the counternarcotics operations and the requirements that are going to have to be conducted if this aggregate strategy is going to be successful.

I think that we have to keep in mind that again it has to be a grand strategy that involves all the elements of national power, whether it is political, military, economic, societal, technology. Certainly the people of this country, as I have said before, are going to have to play and pay if they want to be part of some kind of an ultimate victory.

Second, we're not just dealing with a country per se. Many times it is a region. Although each country is different, each particular political system is different, and the cultures are different, there are some common threads, and some very different things that are involved. We have to look at it on a country-by-country basis, across the grand strategy, and also by region, which is one of the reasons why I, at least, certainly support doing this thing through the unified commanders because they have these kinds of responsibilities.

Clearly if our effort is to include economic as well as military initiatives, then it has to be an integrated effort with the other agencies as well.

I think that you are going to have to be invited in; that is of paramount importance in any revolutionary, lower intensity-type situation. I also think that many of the needs are not different in the drug war than they would be if you were trying to protect or foster democracy and the like. You need stability.

Each of the countries in South America that are a part of the focus of the hearings today have internal insurgency and guerrilla warfare-type movements. They are different in the three countries for different reasons, and the political structures are different. The insurgencies are not perhaps equally influential in each of the three countries, and certainly don't have quite the impact that many would like, but they are a factor. They effect each nation's stability and security, and to win this drug war, you must have stability and you must have security.

The landinos, the Indians, the peasants, the poor people, are very much like us; they'd like to be able to survive; they'd like to live to have a crack at the idea of being free, which we take for granted. They are going to shift with the people who take care of them. That's a hard, cold, brutal fact of life along the trail of survival. And we don't want to underestimate the drug cartels here.

Take a look at what they do with a small portion of these billions to which you alluded. They build apartments, they build houses, they build schools, they build hospitals. They are very active in keeping the people on their side. They understand the fundamental rule of revolutionary warfare: You never do anything that is not good for the people if you want to win, and you never make any more enemies than you've already got.

The cartel's members are very talented, very formidable, and we have to look at this whole construct. In many ways, it is nation-building, it is stability, it is providing additional security, and it is using an indirect warfare approach to the drug war. Our efforts are going to be heavily dependent upon military assistance, economic assistance, and all of that. Here's an area where, just speaking for Al Gray, I would suggest that Congress look inward. You'd better take a hard look at all the rules and ropes we have around this whole military assistance program for whatever reason, and open it up because it's going to be a very vital part of any success in the drug war in these regions.

We are going to need a comprehensive approach. Our military forces are fully prepared to provide assistance, training, and the kind of leadership, security, and stability required. These are the

things that our military forces are capable of doing and are prepared to do.

I read in the paper the other day that you want Bolivia to commit an army to eradicate the coca plant; if they don't know how to do it, to have our forces show them how. Those well-meaning words by very concerned leaders need to be reflected upon very, very carefully. You don't want to win the battle here and lose the war.

The person who grows the coca plant in many cases has been doing it for a long time. It is his livelihood. Remember what we said about not doing anything that's not good for the people. They have been chewing the coca plant since the times of the Indian priests. It is a way of life that is going to have to be changed, and it is going to have to be changed in an intelligent way. I think the supply side of this war ought to be fought very carefully in support of the main war against the center of gravity here in the United States.

The CHAIRMAN. General, it seems to me if I understand what you have said, that although the U.S. military might have the capability if ordered to do it to literally be an invited invasion force that went into some of the countries named to either eradicate the coca crop or go after what are essentially in at least one country a drug army, that that might in the long term end up being counterproductive, and that we need a more sophisticated approach than just that.

General GRAY. I certainly would commend that, and I also think that you need to ask yourself the question how do you want to shape things in the future. You are in for the long haul here. How do you want things to look in the year 2000?

You need to ask yourself what is going to happen if you go down there and change some of these things that some people would have you do. Are you going to make Bolivia the 56th State or a United States territory? That would be big in the hemisphere, not to mention the impossibility of it.

We must look at the long haul. We need to ask ourselves how we want things to look when we finish here and apply our strategies accordingly. Certainly any strategy is going to have to be dynamic.

The CHAIRMAN. General, in some of the countries in South America—and we have mentioned several, but there are three or four more we could mention—it is assumed and believed that one of the few places where corruption has not been reached on the drug side, Panama being one of the exceptions, has been within the military. Yet there seems to be no infrastructure in those countries that is available for them to enforce the law. In Colombia, it is kind of hard to get a judge to return an indictment or send someone to jail or sit in the case—and by the way, for some good reason—they get shot and killed. They get blown away when they do things like that—an entire supreme court, just to mention a minor point. Now, is there anything the U.S. military could do, not what it should do or is doing, but is there anything that it could do that could help beef up the internal capabilities of some of these countries to take on the drug cartels as opposed to taking on the peasants in the country?

General GRAY. Again, I favor the indirect approach. The U.S. military can certainly provide the kind of assistance, support, and operational capability required by any of the countries or regions which would fall under the doctrinal precepts of a low-intensity-type conflict, of an insurgency nature. If you were going down there to eradicate an insurgency, you would be doing many of the same things you are going to do down there to eradicate drugs. They are not really separate and distinct. Stability, nation-building, providing better security, strengthening military/paramilitary organizations, strengthening local police forces—all are things the military doesn't do alone, but that the military knows quite a bit about. And the military knows how to operate with other agencies that do those kinds of things.

The U.S. military knows how to assist in these countries and regions, if that is the will of the American people, following generally the kinds of approaches you would take for the long haul, protracted kind of situation in these kinds of lesser intensity-type conflicts. I think there is much to be said about the many courses that can be taken. I'm not just speaking of using special forces and unconventional warfare techniques, but using general-purpose capability as well.

There is nothing magic or secret about winning the war and the hearts and minds of people. This is very hard to do in a democratic environment, but can be done, and we know how to do that.

The CHAIRMAN. But what you are also saying—correct me if I misstate your view—is that the drug cartels have been smart internally in that they have provided economic, if not security, increased economic viability for what we would refer to in other contexts as "the locals," and that we are going to have to do something in addition to the military and paramilitary activities related to going after the cartels and/or the crop that at least meets or supplants that economic security that is being supplied now by the cartels; is that correct?

General GRAY. Yes, sir. I think no type of revolutionary warfare environment, insurgency war, counternarcotics-type warfare and the like, can be done by the military alone, independent of not just military assistance but economic assistance and aid, thoughtful and integrated strategies in the country and the region. It has to be orchestrated, it has to draw on the synergism of those efforts. Again, it has to be for the long haul. It has to be with the cooperation and support of the people and the countries involved. If you look at the two power centers of the five major cartels, for example, in Colombia, and see how they operate, it is not all just with threats and violence. They buy a lot of people. They pay a lot of people off, and they do it very, very well. It is their livelihood. In many ways, it makes the Mafia look like kindergarten, although the Mafia is involved.

We have to take these social aspects into account, and there have to be alternatives. In my own experience around the world, most of the people I have had the privilege of meeting, in or out of combat, are pretty good people. They want a chance, they want to survive. They are not afraid to take a risk, either. But when the odds are overwhelmingly against them, they are not going to take those kinds of risks. And they are in these cartel-controlled areas. We

have a lot of bravado here in the United States, but let me tell you, I don't see too many of those people walking around in some of the places here in the District, either. My point is that people are going to have to pony up here.

The CHAIRMAN. I think you made your point. Let me ask you one more question, General Gray.

You have no doubt been aware of the reports of the DEA's paramilitary operations in Latin America. And as you pointed out in your earlier comments, you have helped train many, if not all, of these folks. For example, DEA agents have been working with Bolivian and Peruvian authorities to search for and destroy drug labs in that country. You are probably also aware that the inspector general for the State Department criticized that operation in a recent report. His criticisms included, and I quote: "U.S. personnel are unnecessarily at risk in hostile areas, and there is no contingency plan to evacuate U.S. personnel in case of emergency." The report also stated that, quote, "the Drug Enforcement Administration, an agency which does not have military expertise, is charged with conducting military operations."

Do you believe these criticisms are accurate?

General GRAY. Yes, and I'm not so sure that they are criticisms or intended to be as such.

The CHAIRMAN. Or comments.

General GRAY. Again, Jim Lindsey and his Special Operations Command have trained a great many of these people, in fact, more than even the Marine Corps. We are giving them the best kind of training we can, given the timeframe we are allowed. You can always make somebody better. But I think in the larger sense we must understand that these people are operating in a hostile-type environment. They are operating in harm's way. The environment alone is hostile, not to mention any particular insurgency movements in the region, or the drug cartels' own military arm, which we know has many people in it, but they are very, very well armed, and they don't have any rules of engagement with respect to who they cut down.

With this kind of a comment, I think we should be very concerned. You cannot operate in the blind in these regions. I was talking to a very close colleague of mine yesterday who is very deeply involved in the counterdrug operations in Mexico, a Mexican military officer, and they have had some success. They just pulled down 2½ tons of cocaine in one of their operations. But just going into the jungle and into these areas where the Mexican Marines go in the coastal areas, and surviving, in fact, the simple act of land navigation and coming out alive on the other end taxes your warriors.

I don't ever want to indicate other than these are tough, demanding operations. When we get involved, we are going to have to exercise all of our resources and assets to do it right.

The CHAIRMAN. One last question. In last year's drug bill, Congress included a provision directing the President and the Secretary of State to begin negotiations to establish international antidrug strike forces to attack drug traffickers in foreign countries. President Bush endorsed a similar concept last year. And recently, the Prime Minister of Jamaica called for the creation of paramili-

tary antidrug strike forces operating under the auspices of the United Nations.

Now, we thought it was a good idea up here; the President thinks it is a good idea. But on sober reflection, when we look to guys like you, let me ask you the question: Has the Department of Defense been working with the Department of State to examine the feasibility of creating such international drug strike forces?

Mr. DUNCAN. There are discussions going on, Mr. Chairman. I am aware of them; I am just not a party to them, and that has not been something that we have discussed in the last couple of weeks as a high priority. We've got several high-priority DOD drug items. That is one that I understand is being discussed, but I'm not involved.

General GRAY. Let me just say again what I alluded to earlier about the concurrent parallel planning. That's not a very difficult task to pull off. If there is anyplace where we have good operational relationships and understandings and things like that, it is in the military-to-military relationships with the people throughout these regions. These kinds of concepts, should they be required, adopted, directed, et cetera, are not in my view much of an obstacle for your U.S. military.

The CHAIRMAN. Gentlemen, I have many more questions, but in the interest of time and not to trespass on your generosity too much, I do realize and want to note for the record that the President and the Director have not been anxious for there to be a great discussion of the drug strategy—for good reason—prior to it being formally announced and have not been anxious—for good reason—to have everyone come traipsing up here on the Hill to tell what part they played or did not play in the formation of that strategy.

I hope we have kept our bargain here. I appreciate you coming. I told you I would not pursue what you did or didn't recommend, just what was or wasn't working, and what your general overall capabilities were. And a couple of strong messages have come through at least to this Senator about military capability versus military feasibility, and we will be pursuing all of them.

I said I had one last question, but I have one more question, and I think I had the answer but I want to ask you one again, General.

For those who say—and this is a war—for those who say that if what were being imported into the United States were guns for terrorists, or atom bombs for terrorists, or chemicals that were being used to pollute the water supply of the United States, et cetera, they say if that were happening, we wouldn't hesitate, with or without the support of the host country, whether or not they invited us, but if they were incapable of doing something about what was happening in their country, that we wouldn't hesitate to use the full force of the military to go in and take whatever action was necessary. And they say that with over 20 million Americans experimenting with and/or addicted to drugs, it is as if those things were happening. And they come back and say, as you pointed out, send in the military, send them in to eradicate the crops; treat it just as a military operation, as if we were at war with those countries.

I would like to give you one last chance to respond to that general assertion, which I suspect you are going to hear more of in the near term. How do you answer that?

General GRAY. I hope that we can have a more balanced and far-reaching thought process and dialog with these people because, again, we have to understand that we are living in a more complex world. We all know that. And as I said before, the people are the ones who pay. The poor people down there would pay under this kind of scenario that you have laid out, and I am not sure that is what we really want to do.

The Indian or the local peasant in these countries may not have all the schooling we have, but he understands that we have problems in Los Angeles, Miami, and New York. Sometimes they wonder what we are going to do about our own back yard before we get so sanctified that we come down and straighten out their back yards.

Again, I think we have to take a balanced approach. I recognize that crowd behavior in the sociological and psychological sense quite often marches off to far less rationale than you have laid out in your question, and I am well aware of that. My point is that we need to think it through. That is what strategy and thought processes are all about.

Finally if we commit our military forces, I recommend that a number of these people who offer these comments come with us.

The CHAIRMAN. General, I think your wisdom once again has shown through.

Gentlemen; Mr. Secretary, General, I really appreciate your being here. I will not, as I have not in the past, seek your presence more often than we think is necessary—and as you know, we have only done it once, but I suspect there will be at least one more time between September and the end of the calendar year while we are putting the new strategy in place—and I would ask you to come back.

And before you leave, would you mind, Mr. Secretary, introducing the other Defense Department personnel that you have here with you, if you can?

Mr. DUNCAN. Over to my right is Maj. Gen. John Conaway, who is the Vice Chief of the National Guard Bureau—not exactly knowing where the chair was going with his questions this morning, I wanted to make sure that we were prepared to answer whatever questions the Chair may have, and the Guard has been so actively involved.

I also have behind me my new Deputy for Drug Policy and Enforcement, Major General Schlossberg, who is the Deputy Assistant Secretary of Defense I mentioned who is working fulltime on the drug issues.

We have several other folks here, but they are not in uniform. I gather those are the two you wished.

The CHAIRMAN. All right. Well, I thank you, and thank you for taking this appearance so seriously. Obviously, you take your jobs seriously. As we have both said, we can make some progress. I think we are finally beginning to come about to some strategy, General, that may make incremental progress. I think we can do it, and I appreciate your time.

Now, before I dismiss you, our next witness is in the Witness Protection Program, and for the audience who I am going to ask to leave, let me explain what that means very briefly. It means this person has cooperated with the Federal Government, and in return for that his identity has been changed and that of his entire family, and he has been moved to be protected. There is a $3 million bounty on this man's head, a $3 million contract out on his life.

So I am going to ask that we do something that is, hopefully, orderly, but we are going to do it, and that is, in order to set up that witness coming in, I am going to ask the public in a moment to clear the room first. There are U.S. marshals and police here to help make sure that occurs if there is any reluctance. Then, after the public leaves the room, I will ask the press to leave the room; and after the press leaves the room, I will ask the staff of all Senators present and all staff to leave the room to give the U.S. marshals the opportunity to set up the facility whereby we can ensure that the Witness Protection Program is not compromised in any way.

With that, again, thank you, gentlemen. I now will ask the public please to leave the room through the door you came in. I might add that the public will be invited back in once the matter is set up. You will all be invited back.

[Brief recess.]

The CHAIRMAN. The hearing will come to order. I thank the public and the press for accommodating a very necessary requirement.

Let me begin. Can you state your full name for the record?

STATEMENT OF MAX MERMELSTEIN, FORMER DRUG TRAFFICKER

Mr. MERMELSTEIN. Yes; Max Mermelstein.

The CHAIRMAN. Mr. Mermelstein, I think you are going to have to pull that microphone awfully close.

In 1985, Mr. Mermelstein, you pled guilty to charges related to your smuggling activities for the Medellin cocaine cartel. Can you——

Mr. MERMELSTEIN. That was in 1986 that I pled guilty, Senator.

The CHAIRMAN. In 1986?

Mr. MERMELSTEIN. I was arrested in 1985.

The CHAIRMAN. You were arrested in 1985 and pled guilty in 1986.

Can you briefly summarize how you became involved in drug trafficking?

Mr. MERMELSTEIN. To summarize, it is just a matter of stating that I witnessed a murder and was allowed to live afterward; from that point on, I was owned by Rafael Cardona, and I was to do his bidding from then on, really.

The CHAIRMAN. So that you witnessed a murder, were allowed to live, and from that point on, you were, to use your phrase, "owned by"——

Mr. MERMELSTEIN. Rafael Cardona.

The CHAIRMAN [continuing]. Rafael Cardona, who was deeply involved with the cartel——

Mr. MERMELSTEIN. Was. He met his demise; he was cut down in a hail of gunfire in February 1987.

The CHAIRMAN. He was cut down in a hail of gunfire in February 1987.

If you had wanted to stop working for Rafael, could you have done so?

Mr. MERMELSTEIN. I tried on several occasions, and I was told pointblank there are only two ways out—either going to jail or going out in a box.

The CHAIRMAN. As I understand it, from 1981 to 1985, you worked fulltime for the cartel and imported massive quantities of cocaine into the United States. How much cocaine were you personally responsible for importing during that time frame?

Mr. MERMELSTEIN. During that time frame, between 55 and 56 tons of cocaine went through my hands.

The CHAIRMAN. Between 55 and 56 tons.

Mr. MERMELSTEIN. Uh-huh.

The CHAIRMAN. Now, how could you have any notion about that number? Were there records kept?

Mr. MERMELSTEIN. Records were kept—very accurate records were kept. Although the records that I personally kept were temporary, I would have to sit down with my group accountant on a regular basis, and those records were then later transferred to the main books in Colombia.

But my memory being what it is—I've got a fairly good memory, especially with numbers—I used to keep a running tally in my head.

The CHAIRMAN. Can you briefly describe the leaders of the Medellin cartel and their role in cocaine trafficking, at least the ones that you were involved with; can you explain and describe the leadership of the cartel with which you dealt?

Mr. MERMELSTEIN. On the operational line, we'd start with the Ochoa brothers, the three brothers, the oldest of which is Juan David Ochoa; the middle brother, Jorge Ochoa, and the youngest brother, Fabio, Jr.

Basically, the business was started amongst the three brothers by Juan David, who later backed out, and Jorge took over, and he has controlled it basically ever since.

Past the Ochoa brothers, we've got Pablo Escobar, basically on the same level, probably a little bit higher right now. We had Pablo Correa involved at that time, in the beginning. Pablo also was cut down in a hail of gunfire recently.

Gonzalo Rodriguez Gacho, better known as "El Mexicano," out of Bogota, also a very high-level position in the cartel.

Hiro Mejira, also a very high-level member of the cartel.

The upper echelon is six or eight people, basically, who control it worldwide.

The CHAIRMAN. But at the top were the Ochoa brothers?

Mr. MERMELSTEIN. Ochoas and Escobar, basically, on top; yes.

The CHAIRMAN. And Escobar was the other name you mentioned?

Mr. MERMELSTEIN. Pablo Escobar; yes, sir.

The CHAIRMAN. Who did you work for, if there was anyone you directly worked for, in the cartel?

Mr. MERMELSTEIN. My basic reporting chain of command, if you will, was through Rafael Cardona, but Cardona had a very bad habit—it was called free-basing—so for the most part, I reported directly to the Ochoa brothers, especially on anything involving flights coming in or out.

The CHAIRMAN. So Cardona liked the product that he sold?

Mr. MERMELSTEIN. Oh, he was blitzed most of the time; yes, sir.

The CHAIRMAN. And did you ever meet the Ochoa brothers?

Mr. MERMELSTEIN. Oh, yes, sir. The first one was in 1978. I arranged for Cardona to sell a kilo of cocaine, which was to take place at my house in Miami. The arrangements were set, and the kilo was delivered by Fabio Ochoa, Jr. That was the first one I met.

Then in 1981, I was flown down to Colombia at the request of Jorge——

The CHAIRMAN. Is Fabio the youngest brother?

Mr. MERMELSTEIN. Yes, he is, sir.

The CHAIRMAN. Go ahead. I didn't mean to interrupt.

Mr. MERMELSTEIN. In April of 1981, Jorge requested that I fly down to Colombia to meet him and several other members of the cartel, which I did, and I again flew down and met with him and several other members through Panama later on in 1981, the same year.

The CHAIRMAN. So you had a personal acquaintance with all three brothers?

Mr. MERMELSTEIN. Yes, I did, Senator.

The CHAIRMAN. And Escobar as well, I assume.

Mr. MERMELSTEIN. I met Escobar on several occasions, the first time being in 1981 in Panama.

The CHAIRMAN. Now, when you went to Colombia, did you actually go to the Ochoas' residence, or was there a——

Mr. MERMELSTEIN. We went to L'Hacienda Vera Cruz, which is Jorge's farm out on the coast.

The CHAIRMAN. In 1985, you were arrested for drug smuggling charges in Los Angeles, and you later pled guilty to reduced charges, and you have been cooperating with the U.S. authorities since then, including today.

Mr. MERMELSTEIN. I have been trying to. I have been meeting a lot of friction doing that; yes, sir.

The CHAIRMAN. Now, you say you have been trying to, that there has been friction building. Can you tell me what you mean by that?

Mr. MERMELSTEIN. I'd like to be more actively involved than I am, and I'm just being held back. I have tried to initiate several investigations that nobody wants to start up. I have been told quite blank by one agent: "Big cases, big problems; small cases, small problems," and right now, he didn't want any problems. So I'm meeting a lot of resistance.

The CHAIRMAN. Big cases, big problems; small cases, small problems; and this particular agent told you he didn't want any problems.

Mr. MERMELSTEIN. That's correct. This is a Customs agent.

The CHAIRMAN. Can you describe how you were arrested and what cooperation you have been able to provide thus far?

Mr. MERMELSTEIN. Would you repeat that?

The CHAIRMAN. Can you describe how you were arrested, under what circumstances, in 1985 in Los Angeles?

Mr. MERMELSTEIN. I wasn't arrested in Los Angeles, Senator. I was arrested in Broward County, FL.

The CHAIRMAN. I beg your pardon. But there were smuggling charges——

Mr. MERMELSTEIN. Out of Los Angeles, yes, sir.

The CHAIRMAN. OK.

Mr. MERMELSTEIN. I was an offshoot of the DeLorean case. The cocaine in the DeLorean case was supplied by us. But I was arrested in Florida, charged in Florida, and transported to California.

My cooperation basically started—I was arrested in June, and when I was arrested, there was a piece of paper in my pocket which had a good deal of personal data about Adler Barry Seal, who was a Government witness at that time. Knowing that I had this paper in my pocket, I immediately notified the boys in Colombia to hold the contract—at this time, there was a contract on Barry Seal, and they had me looking actively for Barry Seal. I told them that I had been arrested, and I had this paper on me——

The CHAIRMAN. Let me make this clear, now. Barry Seal was a former or present at that time——

Mr. MERMELSTEIN. At that time was cooperating with the Government.

The CHAIRMAN. He was cooperating with the Government but was not in the Witness Protection Program; is that correct?

Mr. MERMELSTEIN. No, he was not, Senator.

The CHAIRMAN. And were you asked—you used the word "contract"—the Ochoa brothers and their organization had a "contract"—that means they were offering money for the kidnapping or death of Mr. Seal; is that right?

Mr. MERMELSTEIN. It was related to me directly by Fabio Ochoa, Jr., on the telephone, along with Pablo Escobar personally, either kidnap him or kill him. I wasn't asked to do this; I was told to do this.

The CHAIRMAN. You were told to do this. OK. Now let's go back. So you had that information about the desire to kidnap and/or kill Seal on your possession when you were arrested?

Mr. MERMELSTEIN. What I had on my possession, Senator, was a piece of paper which was written by Rafael Cardona with personal information about Seal—his home address, registry numbers on a couple of his airplanes, his places of business, some of the cars that he and his family were driving—locator information, if you will.

The CHAIRMAN. OK.

Mr. MERMELSTEIN. And when I told the boys in Colombia that this piece of paper was found on my person when I was arrested and to hold off on the entire operation, I was told pointblank, no, it is going ahead full steam, and they are bringing in a team from Colombia to finish it off. So now I am not only looking at drug charges; I am looking at the possibility of conspiracy to commit murder. And I wasn't particularly interested in killing anybody anyway, so I had my attorney notify the Government about the contract on Seal, and the Government knew about it in July 1985.

The CHAIRMAN. So that was the beginning of the cooperation. The first piece of information you gave the Government was that Seal was, if you will, under contract——

Mr. MERMELSTEIN. That's correct.

The CHAIRMAN [continuing]. And that you had been asked to do the work originally, and now that you were incarcerated, that the Colombia "boys", as you refer to it, were still going to go ahead and attempt to kill Seal?

Mr. MERMELSTEIN. That's correct, Senator.

The CHAIRMAN. Now, what is your current status?

Mr. MERMELSTEIN. As far as what, Senator?

The CHAIRMAN. Well, you served some time in prison—did you or did you not?

Mr. MERMELSTEIN. I did. I served a little over 2 years.

The CHAIRMAN. A little over 2 years.

Mr. MERMELSTEIN. And I am on lifetime special parole.

The CHAIRMAN. And lifetime special parole—is that the phrase?

Mr. MERMELSTEIN. That's correct, Senator.

The CHAIRMAN. And you are, unlike Seal, in the Witness Protection Program.

Mr. MERMELSTEIN. I know who I am dealing with, Senator, yes, sir.

The CHAIRMAN. Well put.

Are you under any obligation as a consequence of that arrangement reached between you and the Federal Government——

Mr. MERMELSTEIN. No. That contract between myself and the Federal Government has been satisfied.

The CHAIRMAN. So that you are not required under the law to be here today testifying?

Mr. MERMELSTEIN. Under the law, no, but morally I feel I am.

The CHAIRMAN. You say "morally". Why have you chosen to do it?

Mr. MERMELSTEIN. I created a lot of havoc, and I'd just like to do the best that I can to try and straighten it out.

The CHAIRMAN. And the havoc I assume you are referring to that you created was the supply of these drugs and the impact they have had upon American society and individuals 'lives?

Mr. MERMELSTEIN. That's correct, Senator.

The CHAIRMAN. Mr. Mermelstein, I'd like to discuss briefly how the smuggling of cocaine works; who the leaders of the cartel are—and you have mentioned them—and their control of the U.S. cocaine market. Much of this is very basic, I know, and obviously second nature to you—you know it well—and has been widely reported in the press already. But I think it would be useful to have our assumptions about the cartel's operation verified by you here on the record before this committee. So let me begin at the beginning.

The coca leaf is mainly grown in Bolivia and Peru, where it is processed to make a raw coca paste. Where is that processing done and by whom?

Mr. MERMELSTEIN. In Bolivia and Peru, it is basically done in the jungle by the Indians, although there is one section in Colombia itself, the Calca Valley, where the coca leaf is also produced.

The CHAIRMAN. So that the bulk of it that is grown in Bolivia and Peru is turned into raw coca paste in Bolivia and Peru?

Mr. MERMELSTEIN. That is correct, Senator.

The CHAIRMAN. And the Indians mainly do that, you say?

Mr. MERMELSTEIN. Yes, Senator.

The CHAIRMAN. Does the cartel control this phase of the coca trade?

Mr. MERMELSTEIN. Not really, Senator, no. The Bolivian end of the operation is controlled by Roberto Suarez and his family, and although Roberto is in jail, I am quite sure that he still maintains very rigid control of his business.

The CHAIRMAN. How does transportation of this paste make it from Peru and Bolivia into Colombia? I assume it moves into Colombia, where it moves to the next phase?

Mr. MERMELSTEIN. Yes. It is taken from the jungles of Bolivia and Peru into the laboratories either in Colombia, or when Tranquilandia went down, I don't know where the new laboratories are being established, but there was a lot of talk about northern Brazil.

It is flown from the jungle processing labs, the paste, into the labs for the crystallization.

The CHAIRMAN. And by crystallization, you mean that is where it is turned into the powder, the powdered cocaine——

Mr. MERMELSTEIN. Into the cocaine hydrochloride, yes, sir.

The CHAIRMAN [continuing].—That most people know of as being cocaine.

Mr. MERMELSTEIN. That's correct.

The CHAIRMAN. Now, how is it transported—this new, refined product now, that most people know as cocaine—how is it transported from Colombia into the United States?

Mr. MERMELSTEIN. Many, many different ways—commercial carriers, body carriers, private planes, boats.

The CHAIRMAN. How does the bulk of it come in—and let's talk about the 50-some tons that you were responsible for.

Mr. MERMELSTEIN. All of that came in private planes and small boats.

The CHAIRMAN. What is your estimation, although you have been out of the loop for a little while—do you have any reason to believe that that is still—well, let me put it this way—what do you think is the major means by which it is being smuggled now? Do you think it is primarily the same—and how do they rank—do the private planes rank?

Mr. MERMELSTEIN. Primarily the same, no, although I would say about 40 to 45 percent coming into the country is still coming in by private plane. A good deal now—and the larger shipments are coming in on commercial carrier—cargo ships, commercial aircraft, in cargos, in shipments.

The CHAIRMAN. Why would that be? Why the change?

Mr. MERMELSTEIN. That's basically the way the cartel has been able to exist and flourish is that they can change faster than the U.S. Government can. The U.S. Government is setting up to stop all air traffic coming into the United States—surveillance planes, radar—so they are watching that window and will open up another one; we'll bring it in by boat. If you start watching the water, we'll switch back to the airplanes.

Their ability to change fast is what has basically kept them alive, and the fact that the U.S. Government will change as soon as it goes through the bureaucratic process—the mistake that we're making basically is not leaving the first operation in effect and going to the second operation.

The CHAIRMAN. When you say the mistake we're making, you mean the mistake that the U.S. Government is making; is that what you mean?

Mr. MERMELSTEIN. That's correct, Senator.

The CHAIRMAN. And so you are suggesting that as we go to a new phase or operation, the old one should be left in place. So for example, if the radar and air surveillance is working better than it was back when you were actively involved, we should not do anything to dislocate that——

Mr. MERMELSTEIN. Definitely not.

The CHAIRMAN. And we should move then to try to beef up our ability to deal with commercial aircraft and commercial vessels; is that correct?

Mr. MERMELSTEIN. That's correct, Senator. Just before I was arrested, Cardona and Escobar went partnership on a couple 1,000-ton cargo ships. So those ships are moving in and out, also.

The CHAIRMAN. So the cartel actually owns commercial cargo ships that also conduct, quote, "legitimate" business as well as illegitimate business?

Mr. MERMELSTEIN. That's correct, Senator. As a matter of fact, we also bought a Mallard seaplane in the United States and several Widgets and had those shipped to Colombia. They shipped pilots up to me, and we had them trained in seaplane operations and sent them back to Colombia.

The CHAIRMAN. How many Colombia drug cartels are there? You worked for one of them. How many competitors did you have?

Mr. MERMELSTEIN. There aren't any competitors, really—well, now there are because there is so much cocaine that the market is limited—but the big problem when I was in it was getting it up fast enough to be distributed. The problem was that there was more demand than there was supply.

As far as other cartels, in my personal opinion, there is only one real organization, and that is out of Medellin. The other groups, the group out of Cali, the group out of Baranquilla, it is a regional operation, but you don't have the close cooperation and the close ties that you have in the Medellin group. And in my own opinion, there would only be one formal cartel, so to speak.

The CHAIRMAN. Now, is there only one cartel within the Medellin region? Is that a single cartel? Is that the one that you worked for, or are there others within that region?

Mr. MERMELSTEIN. As one organized group, there is one major group. There are hundreds of independents in the Medellin area.

The CHAIRMAN. What percentage of the U.S. cocaine markets do these cartels control—the Medellin cartel and then the cartels, generally? I mean, does all the cocaine in the United States come from Colombia; what percentage of it, and what percentage, if you can tell us in your estimation, comes from the cartel you worked for?

Mr. MERMELSTEIN. In my estimation, Medellin is shipping approximately 60 percent. I figure Cali for about 15 percent—and their end of the market is growing little by little. Baranquilla, 5 to 8 percent. Independents are another 5 percent. And I would not be surprised at this point if growing and processing labs are in existence in Jamaica and Haiti.

The CHAIRMAN. How did you all use the Jamaicans and Haitians, if at all, or were they completely separate and distinct from your operation?

Mr. MERMELSTEIN. One of the pilots that we utilized on a from-time-to-time basis would fly through Jamaica. Our other people, no. I know Jamaica was being used as an interim landing point, and Cuba was being used as an interim landing point, and Haiti was established, also. But my group had no need for it, basically.

The CHAIRMAN. You were able to do one-stop shopping. You just went straight from Colombia to the United States.

Mr. MERMELSTEIN. In 1981, yes, it was direct flights in; in 1982, 1983, and 1984, it was an intermediate in the Bahamas; in 1985, just before I was arrested, I brought in three direct flights again.

The CHAIRMAN. How much do the leaders of the cartel you were involved with, the Ochoa cartel, how much would you say they make in profit?

Mr. MERMELSTEIN. I don't know—I'm used to big numbers, but that's a beauty. I figure them to be well over $1 billion on each one of them as far as personal wealth is concerned.

The CHAIRMAN. Well over $1 billion?

Mr. MERMELSTEIN. Yes. The billion dollar figure I would go with Escobar, El Mexicano, the Ochoas as a group, the three brothers, and probably Hiro Mejira also.

The CHAIRMAN. So the Ochoa brothers as a group, you would guess in 1 year make a billion dollars, the three of them combined?

Mr. MERMELSTEIN. Yes.

The CHAIRMAN. How directly are the Ochoa brothers, for example, involved in their own smuggling operation? How directly do they personally get involved, or do they sit back there on their estates and their farms and in front of their computers, laundering their money, and just directing it all?

How do they——

Mr. MERMELSTEIN. They took a personal interest, especially in the people that are working for them. Basically, they wanted to meet me because they wanted to know who they were dealing with. That's why I was brought down originally. Their biggest point is making sure that we've got everything we need, that we're satisfied, and that everything is going OK.

The CHAIRMAN. Are they involved in such things as the day-to-day hiring of pilots or security or the money laundering folks?

Mr. MERMELSTEIN. No, sir.

The CHAIRMAN. How far down the line do you have to get before there is someone involved, for example, in the details of the money laundering operation?

Mr. MERMELSTEIN. One step below. There is only one person, in my estimation, that knows the entire operation end to end and what is going on anywhere in the world at any given time, and

that is the comptroller of the organization. That gentleman's nickname is "Jota", J-o-t-a, which stands for—it is the letter "J".

The CHAIRMAN. And does that person work directly for the brothers?

Mr. MERMELSTEIN. He works directly for the cartel. He is not only controlling the brothers' money and merchandise, he is controlling Escobar's, El Mexicano's—he's got the books, the master books, if you will, over the entire operation.

The CHAIRMAN. The entire operation of that cartel, or other cartels as well?

Mr. MERMELSTEIN. No; the Medellin group.

The CHAIRMAN. How directly does the cartel control the distribution of drugs in the United States? Do they just merely get it here and get it to the wholesaler, if you will, or are they involved in who has what market within the United States and who has what corner, so to speak?

Mr. MERMELSTEIN. They are the wholesaler in the United States, Senator. It is their people who are sent up to take care of that.

The CHAIRMAN. Give me an example of what you mean.

Mr. MERMELSTEIN. During the time that I was bringing it into Miami, in late 1983, 1984, and part of 1985, I was taking care of some of their distribution, but they did always maintain their own distribution network in the United States, which had one supervisor who controlled Miami, Houston, New York, and California. Each individual distribution network had its own head in place in the various areas.

The CHAIRMAN. So there was one person who controlled the cities you named, and then within each of those cities, there was another person in charge of that city reporting to that control person?

Mr. MERMELSTEIN. That's correct, Senator. All these people were handpicked in Colombia and sent up from Colombia.

The CHAIRMAN. How far down the line within a city—within Miami, for example, or within New York, or within Houston—you had one person handpicked by the cartel, who answered to for lack of a better phrase, a "regional manager"——

Mr. MERMELSTEIN. A good analogy.

The CHAIRMAN. Now, how far down the line did that handpicking of distributors go by the cartel? Did it stop there?

Mr. MERMELSTEIN. The man that runs the United States was picked by the cartel. The men in charge of the individual regions were picked by the cartel. And basically from that point on, the people are on their own.

The CHAIRMAN. I see. So the person who ran the operation in Houston for the cartel, he or she picked their own people from that point down.

Mr. MERMELSTEIN. That's correct, Senator. He was also responsible for the actions of the people that he picked.

The CHAIRMAN. Give me an example of what you mean by that, responsible for the actions.

Mr. MERMELSTEIN. Cardona was responsible for my actions.

The CHAIRMAN. So although you answered to Cardona, even though he liked his own product so much that he was "blitzed" or whatever the phrase—what did you say he was——

Mr. MERMELSTEIN. Blitzed.

The CHAIRMAN [continuing]. Blitzed most of the time—did anything happen to him when you were arrested, or when you turned state's evidence?

Mr. MERMELSTEIN. He was killed, Senator,

The CHAIRMAN. He was killed. That's something happening.

As I see it, there are basically three ways that we in government have looked at dealing with international drug production. The first way is to attempt to stop drugs at the source through eradication. The second is to try to interdict the drugs en route from a foreign country to the United States. And the third is to attempt to go after the leaders of the organizations or cartels and bring them to justice.

Now, in your experience dealing both indirectly and directly with the leaders of a significant drug cartel, did you get the impression that the leaders of the cartel were afraid that U.S. eradication efforts would ever wipe out their crop, their source crop?

Mr. MERMELSTEIN. No, Senator. The only thing the cartel is afraid of is American justice. That's it.

The CHAIRMAN. The only thing the cartel is afraid of is American justice?

Mr. MERMELSTEIN. That's correct.

The CHAIRMAN. What about trying to destroy the labs in Bolivia or Peru or Colombia or northern Brazil now that they process this cocaine; are the traffickers afraid that this strategy on the part of the United States might work?

Mr. MERMELSTEIN. It can't work, Senator, because we have a very bad habit. We announce what we are going to do before we do it.

The CHAIRMAN. So that your view is that our stated effort to eradicate the laboratories, the phase between the paste and the product that hits the street, that that is not able to work?

Mr. MERMELSTEIN. No. What we do is we state in the press what area is going to be hit, during what program, at what particular time. Plus the fact we are dealing with the local police and the local governments in South America, and that's a direct line to the cartel.

The CHAIRMAN. Why is dealing with the local governments, to state the obvious question—I think it is clear what the answer is, but for the record—why is dealing with the local governments and the local police a direct line to the cartel?

Mr. MERMELSTEIN. They own them.

The CHAIRMAN. Now, that's a broad statement, "They own them." Can you give me an example?

Mr. MERMELSTEIN. It would be only through one or two methods. Either through bribes or through fear. They take the money or they die. And they have proven what they can do.

The CHAIRMAN. So, is there anyplace in Bolivia, Peru, or Colombia that you knew of up to the time that you were no longer in the network, which was 1986, I believe, your arrest——

Mr. MERMELSTEIN. Yes, 1985.

The CHAIRMAN [continuing]. Excuse me, 1985—is there anyplace in any one of those areas where you believe that there was a police

agency and/or governmental entity that the United States could reliably deal with without the information getting to the cartel?

Mr. MERMELSTEIN. In Colombia, the high-ranking military—the high-ranking military. The cartel is also afraid of these people. We're basically talking about the old feudal class system, the military class, the generals who have been generations of military people, people whose integrity cannot be bought and people who have the troops to back up their own protection.

The CHAIRMAN. How about in any of the other countries?

Mr. MERMELSTEIN. In Bolivia, Suarez owns the Government, owns the military. And Peru, from all I have been able to read, is virtually a Communist country today.

The CHAIRMAN. During the time you were importing cocaine, U.S. agencies were spending billions of dollars attempting to interdict drugs at the borders. Why weren't we more successful?

Mr. MERMELSTEIN. I can give you a thousand different answers to that question. Again, the governmental frequencies that law enforcement and interdiction use are published frequencies.

The CHAIRMAN. You mean radio frequencies.

Mr. MERMELSTEIN. That's correct, Senator. We had people that were assigned nothing but radio duty. They would sit in front of an HF radio, a high-frequency radio, 24 hours a day, listening to see if they could pick up the frequencies that the Government was using, and when the Government changed frequencies, picking up the new frequencies. If we didn't have the current Government frequencies, we just would not fly.

The CHAIRMAN. So you had the frequency before you even took off the ground?

Mr. MERMELSTEIN. Or we would not take off; that's correct.

The CHAIRMAN. What are some of the other reasons why we didn't succeed in our interdiction effort?

Mr. MERMELSTEIN. You've got a tremendous lack of cooperation between your agencies—I mean a tremendous lack of cooperation. The FBI won't tell the DEA what they are doing; the DEA won't tell the FBI what they are doing; nobody wants to talk to Customs. Everybody has their own specialties; everybody wants the headlines, and everybody wants the budget appropriations, so everybody is out to make their own record, and nobody wants to help anybody else.

The CHAIRMAN. How would that affect what you were doing? Would you play off against—other than the generalized notion that you are portraying for us that the agencies did not cooperate and therefore there was less bang for the buck, did it have any specific application to what you did or did not do?

Mr. MERMELSTEIN. No, it's just the fact that the Government wasn't establishing any penetrations. The ones they could pick up—they could pick up a boat captain or the street people or things like that—but getting into the higher levels where they have to get to stop them, they're not allowed to do it.

The CHAIRMAN. What do you mean, they're not allowed to do it?

Mr. MERMELSTEIN. In order to set up a proper penetration the way a penetration should be set up, you are going to have to establish a man's credibility within the organization. The only way to

establish a man's credibility within the organization is to allow kilos to hit the street.

The CHAIRMAN. To allow kilos to hit the street.

Mr. MERMELSTEIN. To allow cocaine to hit the street. The DEA is not prepared to do this. I think they are precluded from doing it, although the FBI is notorious for doing it. You know, it's just a matter of judgment. My personal opinion is the only way it can be done. I'd rather have 200 kilos hit the street occasionally than allow 15,000 a month to come through on a month-to-month basis. If you want to go after it, you go after the top. Taking the street people off the streets, all that's going to do is fill up the jails because there are more street people than you can jail.

The CHAIRMAN. So that your impression is that the DEA cannot penetrate because they cannot participate in making sure that a drug shipment of cocaine coming from Colombia actually gets onto the streets of Miami, New York, or Wilmington, DE, or wherever else?

Mr. MERMELSTEIN. That's correct. They cannot establish the credibility of an undercover man that they try and put in.

The CHAIRMAN. Let me go back to our interdiction effort. The Coast Guard and the Customs Service, both of whom watch the borders of south Florida, have had some additional financial input in terms of their budgets to try to be more successful. How did you manage to fly in 56 tons of cocaine, and as I understand it, only lose one planeload, during this entire time?

Mr. MERMELSTEIN. That's correct, Senator, that's correct.

The CHAIRMAN. I mean, the airlines don't do that well.

Mr. MERMELSTEIN. I know. Knowing where they are in respect to where we are is the key to the entire operation.

The CHAIRMAN. Were you able to penetrate the Coast Guard or the Customs Service?

Mr. MERMELSTEIN. It wasn't necessary.

The CHAIRMAN. But did you?

Mr. MERMELSTEIN. No.

The CHAIRMAN. And it wasn't necessary to penetrate them because, as you pointed out, you could determine what radio frequencies they were going to be using. What significance does the radio frequency have to do with whether or not your flight from Colombia or the Bahamas, if it had to stop, would get into the State of Florida?

Mr. MERMELSTEIN. We knew where their planes and boats were, and we knew what they were doing. We would just avoid those areas.

The CHAIRMAN. So, for the record, by knowing what frequencies they were using, you could identify and locate where their planes and boats were?

Mr. MERMELSTEIN. We were monitoring their planes and boats during our entire mission.

The CHAIRMAN. So you monitored them——

Mr. MERMELSTEIN. That's correct, Senator.

The CHAIRMAN [continuing]. So obviously, if you knew where they were, you knew where not to go.

Mr. MERMELSTEIN. That's correct.

The CHAIRMAN. How about the one time you got caught, what happened?

Mr. MERMELSTEIN. We were testing a new plane, and we broke Air Defense Command. We were too high and too fast. But even though we were intercepted, that plane landed empty; they did not get one gram of cocaine—except the following day, they found it floating in the Gulf of Mexico. But when that plane was forced down, it was empty and clean. The pilots were released that night. It was a few days later that they went back to get them. One, they got; the other one was gone.

The CHAIRMAN. Let's move away from your product, the cocaine, to individual personnel. How are South American traffickers, whether they are at the top of a cartel or, as you pointed out, the people at the second level of an organization, the person who is in charge of the—for example, Cardona was a Colombian, right——

Mr. MERMELSTEIN. That's correct, Senator.

The CHAIRMAN [continuing]. A Colombian citizen—not a United States citizen——

Mr. MERMELSTEIN. A Colombian national, that's correct, Senator.

The CHAIRMAN. How was he able to get in and out of the United States so easily?

Mr. MERMELSTEIN. Cardona had two or three Colombian passports all of which had American visas; Cardona also had several Venezuelan passports with American visas; Cardona also had a Mexican passport with an American visa; and Cardona had an American passport—all of which were purchased through various and sundry people involved with the paperwork industry.

The CHAIRMAN. Well, let me ask you this. Notwithstanding the fact that you are displeased with the lack of cooperation or the failure to fully utilize what you know now in order to make a dent in cocaine trafficking, is it your impression from what you knew then and what you know now—when I say "then," prior to your arrest—that U.S. authorities, U.S. officials, have knowledge of who individual leaders are within the various cartels, that they actually have their pictures in a book. They know what these people look like, they know their names, they know who they are—or are the individuals who are the leaders of the various cartels, in your view, totally unknown to the U.S. authorities?

Mr. MERMELSTEIN. The U.S. authorities know who they are and do have photographs of them.

The CHAIRMAN. Now, why is it—let me ask it another way. Aren't the airports in Colombia, for example, being watched, or do these folks come in through aircraft—do they ride along with the cocaine?

Mr. MERMELSTEIN. The big boys don't normally ride along with the product. As far as the airport, airports in Colombia and where they travel, any travel that they do normally is done on their own private planes—we are talking Falcon jets on down.

As far as Immigration and Customs in South America and Central America, they have no worries or problems at all. As an example, in Cardona's office in Colombia, he opened up his safe one day and had a complete set of immigrations stamps from Panama, Costa Rica, and Colombia. He used to stamp his own passports.

As far as passing through the airport, a 100-dollar bill inside your passport, they don't open anything or ask any questions; you just walk right through.

The CHAIRMAN. Would it be of any value in terms of knowing how and when these people were coming in and out of the country to have United States personnel on the ground in Colombia at these airports, just observing, tailing these people, for lack of a better phrase?

Mr. MERMELSTEIN. If they are in Colombia, we can't touch them.

The CHAIRMAN. No, I'm not suggesting we touch them; just so we know they are coming and going.

Mr. MERMELSTEIN. The only reason I would want to know that they were going is to know where they were going and see if they could be arrested in the country that they were going to.

As far as following them within Colombia itself, it is useless, it would serve no purpose.

The CHAIRMAN. No, I just meant in terms of their embarkation from—well, let me go to another point.

It appears from your description of the cartel's operation that fairly high-level traffickers would be in the United States a good deal of time to oversee the importation and distribution operation; is that correct?

Mr. MERMELSTEIN. That is correct, Senator.

The CHAIRMAN. And you've just told me that the reason the DEA has not been able to penetrate the organizations in the United States and thereby arrest these supervisors, if you will, is because they are not allowed to participate in the distribution of the cocaine to establish their credibility for the superior who we are looking to get; is that correct?

Mr. MERMELSTEIN. That's correct, Senator.

The CHAIRMAN. What are some of the areas in which you think the cartel is vulnerable? If you were heading the operation—if I made you—as if I could—if I made you head of the DEA, what would you be doing that DEA is not doing in order to be able to either penetrate the cartel or just generally—where are they vulnerable?

Mr. MERMELSTEIN. The first place of vulnerability would be the crop. I'd spray. I'd use a herbicide especially directed to an alkaloid, which the coca plant is, to destroy only alkaloid, and just spray Bolivia, Peru, and Colombia. If you eliminate the crop, you eliminate the rest of the problem. We'd have to step on a few toes, but we're dealing with generations of American lives.

The CHAIRMAN. I am led to believe that it takes only a small percentage of land, relatively speaking, to produce the totality of the raw material needed to supply all the U.S. market. Is that correct?

Mr. MERMELSTEIN. I don't know if I am correct in this or not, Senator, but I've been told that it takes approximately 200 kilos of coca leaves to produce 1 kilo of cocaine hydrochloride. And that's a lot of leaves. We're talking plantations of coca plants.

The CHAIRMAN. What do you think the impact would be—we just heard testimony from a U.S. general, Commandant of the Marine Corps, and he made the point that the cartels have been wise enough, like other—he made the analogy to guerrilla war operations—they have been wise enough to take care of not only the

people in their direct organization, but within the communities—they build schools and churches, provide jobs. How large a piece of their peace and prosperity does that play, to the extent that you know? How involved are they in that end of the process, even though you were not?

Mr. MERMELSTEIN. Very, very much involved—oh, I was. I used to ship a lot of sporting equipment from the United States for the poor towns in Colombia for distribution down there. They are very much involved. On Cardona's ranch, there are three small towns within the ranch property itself. On Vera Cruz, Jorge's property, there are five or six small towns. These towns owe their livelihood and subsistence to these people.

Escobar has put up low-income housing through the slums of Medellin and outlying areas for the poor people at no charge.

They take the Robin Hood approach in Colombia, if you will. The poor people are their basic protection. It is their basic work force, also.

The CHAIRMAN. What would be the effect in your view—I'm not asking you to make foreign policy, but I am curious—what would be the effect in your view if we took the unprecedented action you are suggesting, and that is just go in and, to use your phrase, "stepped on a few toes" and used herbicides to eradicate the crop? What effect would that have on the attitude of all those folks who aren't part of the cartel about the United States?

Mr. MERMELSTEIN. Senator, 90 to 95 percent of the Colombian people are good, honest, hardworking people who would like as much to stop this traffic as we would. I don't think we'd have a problem with the populace. I think the big problem would be with the Government officials who are cooperating with the cartel.

The CHAIRMAN. Is there a way of making it more difficult for the traffickers to communicate with each other? Obviously, communications is a major part of the success or failure of a trafficking operation. Is there anything we can do to make it more difficult?

Mr. MERMELSTEIN. There are a lot of things we can do. The first thing is make one slight change in telephone company procedure and totally foul up their communications with the United States. The only thing we have to do there is, on the pay phones, make sure there are outgoing calls only and that they cannot receive an incoming call, and you completely eliminate their beepers and communication system in the United States.

The CHAIRMAN. Let me make sure I understand. That sounds so simple that it has a ring of truth to it. If I understand what you are saying, right now on a pay phone, I can call out, but I can also receive a call.

Mr. MERMELSTEIN. That's correct, Senator.

The CHAIRMAN. So if I stand at a pay phone, and I dial you, or I give you a preordained number, I tell you I'm going to be at the corner of Madison and Second, at pay phone number such-and-such, you can contact me at a certain time, you can call through.

Mr. MERMELSTEIN. That's correct, Senator.

The CHAIRMAN. Now, the ability of someone to be able to contact an individual through a pay phone—what significance does that have in terms of the operation of a trafficking operation?

Mr. MERMELSTEIN. A tremendous significance. The entire operation is predicated on the communication and getting in contact with the people that the cocaine is going to be given to and who the money is going to be received from. None of this communication is handled through somebody's home phone. They are afraid of using a home phone because of interception of the line. They use pay phones, and they are constantly changing pay phones. And the way it is set up is through the beeper systems. Everybody walks around with a beeper; they are called from a pay phone, and they return the call from a pay phone.

The CHAIRMAN. What do you mean they are contacted through a beeper system.

Mr. MERMELSTEIN. A paging system.

The CHAIRMAN. A paging system; so someone would be paged from a pay phone through their beeper to go to a pay phone?

Mr. MERMELSTEIN. That's correct, Senator. I would be called on a regular basis across my pager, and I would not return a phone call across my pager from my home phone. I'd jump in a car, drive a couple of miles to a pay phone, and return that call from a pay phone.

The CHAIRMAN. And the inability of someone to be able to—how does that affect receiving a call from a pay phone? So now you make a call——

Mr. MERMELSTEIN. I call another pay phone.

The CHAIRMAN. You call another pay phone.

Mr. MERMELSTEIN. If that pay phone cannot receive a phone call—and it can be set up that a pay phone cannot receive a phone call—I'm going to have to call him at home, or he is going to have to call me at home, and that sets a firm point, a firm location, which the Government can interdict on. It sets a pattern that did not exist before.

The CHAIRMAN. Let's talk about money laundering for a minute. I understand that legitimate business assists the cartel in laundering money. How do they do that—if you could give us an example where legitimate businesses assist the cartel in laundering their money.

Mr. MERMELSTEIN. Legitimate businesses in Colombia basically exist because of—excuse the expression—"narco dollars" in the United States.

The CHAIRMAN. You said "narco" not "Arco."

Mr. MERMELSTEIN. "Narco." Colombian law restricts the amount of money that can be sent out of the country for foreign purchases. I am talking about large industrials—the sugar industry, the cement industry, the textile mills all need equipment and raw materials from the United States. This has to be purchased, so they need dollars available in the United States. They can't get too much of those dollars out of Colombia, or not enough for what they need. But yet the drug dealers have all of this excess money in the United States and want the pesos in Colombia. It is just a symbiotic relationship. We supply the dollars in the United States; you return it to us in pesos in Colombia.

The CHAIRMAN. But how are the legitimate businesses involved in it? Be very basic, for the record.

Mr. MERMELSTEIN. A cement mill, or a sugar mill needs $15 to $18 million worth of new equipment to be purchased in the United States. They need that money in the United States, and they can't get it out of Colombia. So they are contacted by a drug dealer who has that money in the United States, turns that money over to a legitimate business in the United States, and a legitimate business in Colombia pays the bill in the local currency.

The CHAIRMAN. I see. Do you know anything about the end product of the laundered money in terms of gaining control of legitimate businesses in the United States. That is, Colombian cocaine imported by you, sold in the United States, a large amount of money in cash available; that cash is then laundered, usually through offshore banks, I assume——

Mr. MERMELSTEIN. We shipped a lot of it directly into Colombia, also.

The CHAIRMAN. OK, but that portion that is laundered in the U.S. ends up coming back to the United States as legitimate money. What do you know, if at all, about the involvement of those dollars being invested in U.S. corporations that are otherwise legitimate? For example, do these guys, the brothers, play the stock market? Do they have significant investments in any U.S. banks, automobile agencies, chemical corporations?

Mr. MERMELSTEIN. Most of the investments that they had in the United States—and they were small; they didn't like to invest too much money in the United States—most of those investments were taken by the United States during Operation Zulu in Miami.

The CHAIRMAN. They prefer investing in Colombia and in South America?

Mr. MERMELSTEIN. Colombia and South America; there are large investments in Spain, there are investments in Holland and France; there are also large bank accounts in Luxembourg and Switzerland. They are diversified. The diamond market in Israel is a big place for investment for them at the present time.

The CHAIRMAN. Say that again, please.

Mr. MERMELSTEIN. The Israeli diamond market.

The CHAIRMAN. The Israeli diamond market.

Mr. MERMELSTEIN. They are converting a lot of cash into diamonds.

The CHAIRMAN. Of all the things the U.S. Government could do to crack down on the cartel, what do the traffickers fear most, if there is any one thing?

Mr. MERMELSTEIN. American justice, as I stated earlier.

The CHAIRMAN. American——

Mr. MERMELSTEIN. American justice. They are deathly afraid——

The CHAIRMAN. That is, being actually, physically brought before an American court?

Mr. MERMELSTEIN. That is correct, Senator, because it is something that they cannot control, it is something they cannot buy.

The CHAIRMAN. What about the U.S. military. Is there any discussion or worry about direct or multilateral action against the cartel? Are they worried that one day, the Congress or the President may say, OK, we are going to authorize U.S. military troops to move against, to invade——

Mr. MERMELSTEIN. I'd love to see it happen.

The CHAIRMAN. Well, I know you'd love to see it happen, but I'm trying to get a sense of what their concern is. I mean, was there ever discussion that they worried someday that instead of them being able to buy the government that the government might very well be able to be turned by the United States?

Mr. MERMELSTEIN. No, Senator, no worries at all.

The CHAIRMAN. So there is no worry that United States pressure would be able to override their ability to control government, heads of government agencies in Colombia and other countries?

Mr. MERMELSTEIN. Senator, we can pressure them with economics and items like that. The cartel is threatening them with their lives. It is just a matter of weighing what they are being threatened with. The cartel threat is a little bit more intense.

The CHAIRMAN. You indicated earlier that one of the places that they had not penetrated to the best of your knowledge was the elite military, the high command of the Colombian military.

Mr. MERMELSTEIN. That's correct.

The CHAIRMAN. Do they worry that there could be a military coup and an invitation from the Colombian military to the United States or other multinational agencies, military agencies, to come in and go after them?

Mr. MERMELSTEIN. Not unless martial law is declared. The Colombian Government is a democratic Government; it is a Presidency, and unless martial law is declared the military cannot act on its own.

The CHAIRMAN. So as I understand it, their view is pretty basic. They, according to you, basically own the civilian Government, along with the judicial system, and the one place they fear is the high-ranking military. And they believe that, because they own the other two branches, they are not, in a "democracy," quote-unquote, in any jeopardy from those folks?

Mr. MERMELSTEIN. That is correct. As a matter of fact, Senator, Juan David Ochoa bragged to me on one occasion he personally paid for 75 percent of Turabaje's [phonetic] campaign.

The CHAIRMAN. Do you have a sense that the Colombian people—the 90-95 percent you said, quote "are good people and would like it stopped"—do you have a sense that they believe that their Government is controlled by it?

Mr. MERMELSTEIN. They know for a fact that their Government is controlled by it.

The CHAIRMAN. You indicated that there was a good deal of bickering among Federal agencies who are required to participate in the effort to stop drugs. How big an improvement would it be if that one thing could stop? How much would it impact on the—I know you cannot quantify it percentagewise, but give me your sense of what impact that would have.

Mr. MERMELSTEIN. In my personal estimation, right now there is somewhere between a 30- and 40-percent overlap in what the DEA, FBI, and Customs are doing. By that, I mean they are investigating the same people at the same time and not sharing the information. This is an overlap of manpower and funds, so we can cut that out.

Basic coordination between the agencies—let each agency do what they are specialized in doing. In my own estimation, as far as controlling the street, it is the DEA, the best street people in the

world. Support for the DEA should be done through the FBI, who are the best detail men in the world, but who are terrible in a street operation. And anything up to the borders of the United States should be handled by Customs. That is where their big strong point is.

But again, it has got to be coordinated in such a way that these people talk to each other. Right now, every agency has its own computer, and nobody has access to anybody else's computer, and nobody gives anybody else information on what they are doing.

I can give you a perfect example. I was pulled out for a debriefing session 8, 10 months ago——

The CHAIRMAN. You were pulled out for a debriefing session?

Mr. MERMELSTEIN. That's correct, Senator.

The CHAIRMAN. By whom?

Mr. MERMELSTEIN. By the DEA. They wanted to corroborate a report that they had received from an FBI debriefing session, something that they thought I would know something about.

Now, for me to be transported to a debriefing session is a complicated and expensive proposition for the Government—you see the way I move—plus it is a dangerous situation for myself and my family. OK. The debriefing session is set up, and I am moved to point "*x*." I sit down with the DEA agents, and they start going through the questions that they have for me——

The CHAIRMAN. This is merely 10 months ago, approximately.

Mr. MERMELSTEIN. Approximately. They start going through the questions, and I start answering the questions. And this agent gets a very strange look on his face and asks me if I have ever been debriefed by the FBI on this particular subject. I stated that, yes, I had. And I was asked if I was assigned a code name by the FBI—the FBI likes using code names instead of C.I. numbers, confidential informant numbers—and I said yes, I was. I was asked if I knew it, and I told them that I did. I told them what that code name was, and the papers just flew up in the air. They were debriefing me and using me to corroborate my own statements. When these papers were given to the DEA, the DEA agent asked specifically who code name such-and-such is and was given false information.

The CHAIRMAN. Now, let me get this straight. Ten months ago, in the wake of all this new cooperation that is taking place, the Drug Enforcement Agency, the DEA, wanted to speak to you because they thought you might be able to corroborate information that they had relating to an investigation they had underway.

Mr. MERMELSTEIN. No; this was information that was given to them by the FBI.

The CHAIRMAN. OK. So the FBI gave them information——

Mr. MERMELSTEIN. Right. Bear in mind that this information was given by me to the FBI 3½ years ago.

The CHAIRMAN. OK. Three and a half years ago, you sat down with the FBI, and you gave them information. Ten months ago, that information, which was in a report, on a piece of paper or pieces of paper, contained a code name, the source of the information.

Mr. MERMELSTEIN. That's correct, Senator.

The CHAIRMAN. The DEA agent had asked the FBI at some point prior to speaking to you who was code name "X."

Mr. MERMELSTEIN. Correct.

The CHAIRMAN. The FBI apparently told that DEA agent, "Code name 'X' is Charlie Smith."

Mr. MERMELSTEIN. Exactly.

The CHAIRMAN. You sit down, and now they are looking to have you corroborate what Charlie Smith told the FBI—and it turns out you are Charlie Smith——

Mr. MERMELSTEIN. That's correct, Senator.

The CHAIRMAN [continuing]. Because the FBI wouldn't even tell the DEA that it was you who had given them the information.

Mr. MERMELSTEIN. That's correct.

The CHAIRMAN. All right. Mr. Mermelstein, the Colombian cartels obviously, from what you tell us and from what we know, are run like a sophisticated business. They have market plans, they have lawyers, they have accountants, they have bankers, they have people in a whole range of things from investments to transportation.

Mr. MERMELSTEIN. They can afford to pay for the finest expertise in the world and are free to do so.

The CHAIRMAN. Although the cocaine trade provides enormous profits, are they looking at new businesses to get themselves involved in—or is it that they just see the cocaine gravy train there as long as they need it?

Mr. MERMELSTEIN. Pablo Escobar is an extremely ambitious individual. Sometime mid- to late 1983, he started experimenting with and growing poppies in Colombia for the production of heroin in Colombia. He brought the poppies, the plants, and the people in from the Far East and established his own heroin industry in Colombia.

The CHAIRMAN. Was there any success?

Mr. MERMELSTEIN. Oh, he is shipping heroin into the United States today.

The CHAIRMAN. Are they developing any new drugs? There is a good deal of talk about synthetic and designer drugs.

Mr. MERMELSTEIN. Synthetic cocaine has been on the market as far back as I can remember. It can be produced in a laboratory, but from what I understand, it doesn't have the same effect—I don't know, it just never caught on.

As far as synthetic drugs, all kinds of designer drugs and synthetic drugs are being produced and have been produced here in the United States—your methamphetamines, your speeds, things like that.

The CHAIRMAN. But they are not involved in that to the best of your knowledge?

Mr. MERMELSTEIN. Not any longer. At one time they were involved with Quaaludes when Quaaludes were a big thing in the United States, but they dropped that end of it completely. They have their own factories in Colombia producing bootleg Quaaludes.

They are not afraid to diversify.

The CHAIRMAN. How about crack cocaine?

Mr. MERMELSTEIN. Crack is cocaine. It is base cocaine. Basically, what is done is the crystal cocaine is shipped to the United States

and what they call "thrown back" into base through a chemical process. It is run back one step before it got here. It is cocaine base is all it is.

The CHAIRMAN. But I mean are they, the cartel, involved in, to use your phrase, taking it back one step; are they involved in the distribution and sale of crack?

Mr. MERMELSTEIN. No, Senator. That is done by the street people. We are talking well beyond the wholesaler level now.

The CHAIRMAN. What's next with these entrepreneurial gentlemen who now have access to and apparently have amassed billions of dollars in personal wealth? Where do you see them going, or are they——

Mr. MERMELSTEIN. I see them going to jail if somebody develops enough intestinal fortitude to do something about it.

The CHAIRMAN. And what is the most important thing we could do to get them to jail?

Mr. MERMELSTEIN. Go down and pick them up.

The CHAIRMAN. Now, when you say, "Go down and pick them up," do you mean like the Israelis did Eichmann years ago—just physically go down and——

Mr. MERMELSTEIN. Or like the Israelis did to their sheik just recently, yes, yes.

The CHAIRMAN. Are they worried about that?

Mr. MERMELSTEIN. Very much so.

The CHAIRMAN. What form does that worry take? Do they have large bodyguards or security——

Mr. MERMELSTEIN. Bodyguards, individual armies, personal protection, unbelievable stashes of arms and equipment.

The CHAIRMAN. Do they—they must have some sense of the impact that the drug addiction that they are spawning is having in their own country, Colombia. I mean, Colombia itself is not only an exporting country; it is a consuming country, and increasingly so; is that not correct?

Mr. MERMELSTEIN. This is correct. As a matter of fact, the problem that we are having in the United States now with crack, they had in Colombia in the early eighties. The problem has basically stabilized down there. There is a small amount of use, but most of the people that were involved with it have died off or have been killed off.

The CHAIRMAN. Are they worried that there might be a military coup in Colombia?

Mr. MERMELSTEIN. No, Senator.

The CHAIRMAN. It is not a concern of theirs.

Mr. MERMELSTEIN. No.

The CHAIRMAN. What about so-called bazuco, the raw cocaine paste, which seems to be a place that we are going in terms of consumption?

Mr. MERMELSTEIN. That's the Colombian form of crack. Basically, what that is—the crack that has been used in the United States is the hydrochloride being taken back a step. Bazuco, what the Colombians use, is the base before it is converted into the crystal hydrochloride.

The CHAIRMAN. Well, that is becoming an extremely lucrative market, that is, crack, or whatever phrase we want to use, the raw

cocaine paste, taking it back a step, is becoming an extremely lucrative financial market here in the United States.

Mr. MERMELSTEIN. It is also a lot easier to ship, Senator.

The CHAIRMAN. It is a lot easier?

Mr. MERMELSTEIN. Yes, it is. It is more stable. It isn't affected by water. It is virtually indestructable.

The CHAIRMAN. Is it a lot heavier?

Mr. MERMELSTEIN. Smaller——

The CHAIRMAN. Smaller quantities go further?

Mr. MERMELSTEIN. Smaller quantities go further, and specific gravity, if you will, is greater, yes.

The CHAIRMAN. I guess to get right to it, do you think it would be easier or more difficult to smuggle into the United States?

Mr. MERMELSTEIN. A lot easier. It can be brought in in many different methods.

The CHAIRMAN. Such as?

Mr. MERMELSTEIN. Under a boat, directly in the water—it wouldn't have any effect on it—dropped off offshore and left underwater for a few days and then picked up by a pleasure boat later on. Water damage is not a problem with the base.

The CHAIRMAN. Is there any indication that the cartel is thinking in those terms?

Mr. MERMELSTEIN. Indications, no, but I can state that one of the last shipments I received in late 1984 had 150 kilos of base, which I was told to ship to New Orleans for processing in a laboratory in New Orleans.

The CHAIRMAN. Excuse me one moment. [Pause.]

Because of the physical protection they provide themselves and the protection they receive from police agencies in Colombia, is there any way to apprehend these cartel leaders when they are in third countries—do they travel a lot? Do they head to Paris for the weekend?

Mr. MERMELSTEIN. Oh, they do travel a lot, and it is possible to grab them in a third country—if the State Department would cooperate with enforcement.

The CHAIRMAN. Why do you say "if the State Department would cooperate with enforcement"?

Mr. MERMELSTEIN. An operation was planned not too long ago—I think Mr. Gregorie would be able to give you more information on it—where they had information that Jorge Ochoa would be landing in Caracas, and plans were set up to take him in Caracas and bring him back to the United States. The operation, to my understanding, was negated by the State Department.

The CHAIRMAN. Because of its foreign policy implications?

Mr. MERMELSTEIN. I would assume so.

The CHAIRMAN. When they travel, although they travel with security, I assume they are much more vulnerable than they are——

Mr. MERMELSTEIN. Definitely, definitely much more vulnerable.

The CHAIRMAN. And tell me a little bit more if you know about their personal habits. Do they spend most of their time in Colombia? Someone with that much money, is their recreation found totally within Colombia?

Mr. MERMELSTEIN. Definitely not, Senator. I am sure that at least Escobar and one or two of the Ochoas went to the Olympic

games in Seoul; they travel to the bullfights in Mexico City and in Spain. Fabio Ochoa, Jr. is a bullfight aficionado and considers himself a first-class bullfighter himself. They do a lot of traveling, depending upon their own hobbies—world-class soccer games will take them out of their country into whatever country is holding the World Cup matches.

The CHAIRMAN. Let me ask you one final question. What is it that you would like to be able to transmit to the Federal authorities that they are not paying attention to? You said you wanted to cooperate more in the very beginning of your testimony.

Mr. MERMELSTEIN. Basically, that this is one nation, under God, and should be treated as such—not as one nation under the DEA, one nation under the FBI, one nation under Customs, one nation under the Democrats, and one nation under the Republicans. If everybody gets together, and the American people step in behind them, this thing can be stopped and stopped quickly. It is just a matter of cooperation amongst ourselves.

The CHAIRMAN. You indicated the degree to which cocaine is controlled out of Colombia, and you gave us your assessment of the degree to which each area controls that supply. Is there much or any cooperation with other organized crime units in the United States? Do the Colombian cartels, for example, do business with the Mafia?

Mr. MERMELSTEIN. We were told to stay away from them. They do not trust them, nor will they do business on a direct basis with them.

The CHAIRMAN. They don't trust the Mafia.

Mr. MERMELSTEIN. That is correct.

The CHAIRMAN. I'll try not to be smart here——

Mr. MERMELSTEIN. They specialize basically in ripping off a shipment. If you are out to make a delivery to a Mafia representative, chances are he is going to steal it and blow you away without paying for it.

The CHAIRMAN. I see.

Mr. MERMELSTEIN. They have had that happen on several occasions, and they just stopped all business completely. So if they want any of the cocaine coming out of Colombia, I would assume that they are dealing with a middleman or two, three steps down the road.

The CHAIRMAN. I see. You had mentioned Cuba, the Bahamas, and I believe Jamaica——

Mr. MERMELSTEIN. And Haiti.

The CHAIRMAN [continuing]. And Haiti. To what degree, to your first-hand knowledge, is there corruption among the elected or appointed officials in those countries?

Mr. MERMELSTEIN. In the Bahamas, it goes straight up to the top. I was personally offered by a representative of the Bahamian Government in late 1984 a deal where I would be allowed to purchase all of the cocaine confiscated in the Bahamas for shipment to the United States.

The CHAIRMAN. Say that again.

Mr. MERMELSTEIN. I was offered a deal by a Bahamian official, so much per kilo for any cocaine that was confiscated by the Bahamian Government. They were ready to sell it to me for distribution

in the United States. They wanted it set up on a partnership deal. It would cost $2,000 per kilo to pay off the people who were guarding it plus the various low-level ministers; brought to the United States—my people would be responsible for bringing it to the United States—sold in the United States, and then split profits 50-50—50 percent, Bahamian Government, 50 percent, cartel.

The CHAIRMAN. How did you respond to that?

Mr. MERMELSTEIN. We were setting it up, but I was arrested at the time.

The CHAIRMAN. How about Jamaica?

Mr. MERMELSTEIN. One of the pilots who flew for us on an occasional basis used Jamaica as a stopoff point. Some of the people from Cali were extremely involved with setting up laboratories and trying to grow the coca plant in Jamaica itself.

Jamaica produces a fairly fine grade of coffee compatible to the coffee out of Colombia, and where you can grow good coffee, you can grow good coca.

The CHAIRMAN. How about Cuba?

Mr. MERMELSTEIN. We only had one incident with Cuba. One of our planes was forced down—mechanical trouble, not by the Cuban Air Force—in the Southern part of Cuba. It came in to a military air base, and he figured it was over. But the commandant of the base told him no, arrangements could be made—$10,000 any time he wanted to land there, he would be allowed to land there under his personal supervision and allowed to take off again. In this case, he let him take off free because the pilot wasn't carrying any money, but the money was sent back. We never ran any further flights through Cuba. It was just a fluke.

The CHAIRMAN. How successful has it been, if any attempts have been made, to purchase and buy political officials in this country? Were you all in that business?

Mr. MERMELSTEIN. I was not involved, no, Senator, and I know of nobody that was involved.

The CHAIRMAN. So you know of no involvement with the cartel in actually attempting to and/or succeeding in bribing U.S. officials?

Mr. MERMELSTEIN. U.S. officials or U.S. politicians?

The CHAIRMAN. Excuse me—U.S. politicians.

Mr. MERMELSTEIN. Politicians, no. A good deal of U.S. officials are on payrolls. We never had any on ours, but we knew who did and what they were doing.

The CHAIRMAN. How high up would those officials go?

Mr. MERMELSTEIN. Street people.

The CHAIRMAN. Street people?

Mr. MERMELSTEIN. Yes; agents.

The CHAIRMAN. Is there anything you'd like to say before I close out the testimony? Is there anything that you'd like to add?

Mr. MERMELSTEIN. Just that I hope this does some good in finally getting somebody to do something about what has to be done.

The CHAIRMAN. And summarize again what you think most importantly has to be done.

Mr. MERMELSTEIN. Eradication of the crop, No. 1; eradication of the Colombian cartel, No. 2.

The CHAIRMAN. Eradication of the crop by moving in with or without the sanction of the government, and eradication of the cartel primarily by physically spiriting them away wherever they happen to be, Colombia or third countries?

Mr. MERMELSTEIN. Correct, Senator.

The CHAIRMAN. I thank you very much.

Let me check with the staff to see if there are any additional questions they suggest that I ask. [Conferring with staff.] There are none.

Let me once again now ask, please, the cooperation—by the way, I do have one last question. Is there a contract out for you that you know of?

Mr. MERMELSTEIN. I have been so informed, yes, Senator.

The CHAIRMAN. You have been so informed that there is a contract by the cartel out for your death and/or kidnapping, or do you know?

Mr. MERMELSTEIN. I have heard death, Senator.

The CHAIRMAN. Just death?

Mr. MERMELSTEIN. Yes, Senator.

The CHAIRMAN. They don't want you to visit again.

Mr. MERMELSTEIN. I think I have annoyed them a little bit.

The CHAIRMAN. And do you have any idea how much the contract is for?

Mr. MERMELSTEIN. I have been told seven figure, but nobody will give me an exact amount.

The CHAIRMAN. OK. I will do all—and the reason I bother to mention that is to impress upon the audience it would be very useful if you would follow the directions of the U.S. marshals.

I am going to ask for the room to be cleared, but before I do, I want to tell everyone we will recess until 2—apparently, we had informed you all it would be 1:30, but I didn't think it would go this long. We'll recess until 1:45. We'll take a 17- or 18-minute break.

I would ask all to clear the room, beginning with the public and the press and then the staff, and this hearing will be recessed until 1:45.

[Short recess.]

The CHAIRMAN. The hearing will come to order.

I thank you all for sitting through a long morning, and, at least from the committee's perspective, a fruitful morning.

You three gentlemen have a wealth of information to impart to this committee. I'd like to introduce you and ask you to make any statements you have in the order that you are called, if you could.

Mr. Dick Gregorie, former chief assistant U.S. attorney for the southern district of Florida; Mr. Robert Merkle, former U.S. attorney of the middle district of Florida; and Norman Bailey, former special assistant to the President and Senior Director for International Economics, National Security Council.

Gentlemen, you all have been at this for a long time—I don't mean just this morning. Mr. Gregorie, you have about 16 years as a prosecutor, as I understand it, handling drug trafficking indictments against General Noriega, Col. Jean Claude Paul, the de facto ruler of Haiti, and Pablo Escobar, whose name was invoked here a number of times, two of the Colombia kingpins who lead DEA's

most wanted list. And you were the prosecutor who worked with the witness we just heard from in the Witness Protection Program, Mr. Max Mermelstein, in the case against the cartel. As I understand it, you resigned last year; is that right?

Mr. GREGORIE. I resigned in January of this year.

The CHAIRMAN. In January of this year.

And Mr. Merkle, you are not only a former U.S. attorney for the middle district of Florida, but you have been an outspoken prosecutor who convicted probably the single biggest drug dealer that we have convicted, maybe ever in this country, Carlos Lehder, and you also obtained one of the indictments against Mr. Noriega. You resigned your office as U.S. attorney in 1988; is that correct?

Mr. MERKLE. That's correct, Senator.

The CHAIRMAN. And Mr. Bailey, you are an economist—is that your background?

Mr. BAILEY. Yes, sir, that's right.

The CHAIRMAN. And you served as Senior Director of National Security Planning on the National Security Council from 1981 to 1983?

Mr. BAILEY. Yes, sir.

The CHAIRMAN. And in 1988, you testified before Congressman Rangel's committee that we weren't doing all we could or should have done with regard to General Noriega. You are also, I am told, an expert in techniques used to trace the flow of money in international banking systems; is that correct?

Mr. BAILEY. That's correct, Senator.

The CHAIRMAN. Well, gentlemen, I have a number of questions, so I will cease and desist, and let me ask you to begin Mr. Gregorie. Unless you have all prearranged how you wished to testify, we'll just go in the order of the witness list here.

Mr. Gregorie, why don't you begin with any statement you may have, and the more abbreviated you can make the statement without doing an injustice to it, the better. Your entire statement will be placed in the record, though.

STATEMENT OF A PANEL, INCLUDING: RICHARD D. GREGORIE, FORMER CHIEF ASSISTANT U.S. ATTORNEY, MIAMI, FL; ROBERT W. MERKLE, FORMER U.S. ATTORNEY, TAMPA, FL; AND DR. NORMAN A. BAILEY, FORMER NATIONAL SECURITY COUNCIL SENIOR STAFF MEMBER

Mr. GREGORIE. Thank you, Senator, and I thank you for the opportunity to be here today.

I think, as you heard from the witness, Max Mermelstein, the drug problem in the United States is a foreign policy problem, and although we as prosecutors and law enforcement people have known that for years, the political apparatus in the United States has refused to recognize it.

The fields of coca in South and Central America in the last year grew by over 10 percent, and that's the State Department's figure. Although we are paying money to some of those countries not to grow cocaine, the fields keep growing, and I must say that we are now responsible for what I believe to be almost a one-crop economy in some of those countries.

The Colombian cartels, as you heard today, send their own people to the United States. Back in the early eighties, when I first came to Miami, there was a cocaine war going on, and the cocaine war was going on because the Colombian cartel leaders could not trust the United States dealers, and that was because there is no honor among thieves. They would send up 100 kilos, and 10 kilos would be taken off the top and not reported. They would send back $1 million in cash, and $200,000 would be taken off the top and not reported.

So the Colombians decided they had to have their own people in the United States to run their operations. The cartels actually send people up every 6 to 8 months. We know this, Senator, because we seized an operational plan in the first indictment of the cartel back in 1984 from one of the defendants. Every 6 to 8 months, they change their personnel. How do they get into the United States? Well, the U.S. State Department gives them multiple-entry visas. For a businessman to come to the United States, he doesn't want to have to keep going back to the Embassy every time he comes to the United States, so he gets a multiple-entry visa. That means he can go back and forth over a 6-month- or year-long period without having to return to the Embassy.

They also get false passports and visas. I saw one undercover agent who had six different passports in six different names from six different countries, and he bought them all on the streets of Miami.

We have no control over our borders, and as long as that is the case, the cartel will be able to keep hands-on control of their operations in the United States.

More importantly, Senator, back in 1984, we arrested a number of Colombian cartel representatives, including their chief distributor in Miami, with 1,600 pounds of cocaine brought in on an airplane by then cooperating Government informant Barry Seal. We indicted a large number of cartel leaders, including Pablo Escobar and Gonzalo Rodriguez Gacho, also known as "the Mexican," and Jorge Ochoa. Interestingly enough, although they weren't in the United States when we indicted them, Jorge Ochoa and another cartel leader, this one from the Cali cartel, a gentleman by the name of Orejuala—Gilberto Rodriguez Orejuala—went to Madrid, Spain to open the market in Spain. When they got there, the Spanish police found them, arrested them, threw them in jail on the United States provisional arrest warrants and were ready to extradite them back to the United States.

I twice went to Spain to see if we could get the Spanish Government to send them back to the United States. After we had had these provisional arrest warrants for close to a month, the Colombians submitted their own extradition process in competition with ours. What did our State Department do? Nothing. They said, well, that's just the process.

The first Colombian extradition request was for bullfighting bulls, that they were improperly imported. Well, the Spanish court said that's not serious enough. So the Colombians by then had copies of our extradition papers, which were translated into Spanish, so they merely copied our charges and charged that they wanted Ochoa back in Colombia.

Approximately a year later, Mr. Ochoa and Mr. Gilbert Rodriguez Orejuala were sent home to Colombia, 3 weeks later to be back on the streets.

The only people in the State Department that I talked to that had any knowledge about this extradition were an elderly gentleman who was in charge of those affairs—he was going to retire in a month or so, and did not really want to do anything that was going to rock the boat—and an elderly secretary who seemed to be the most knowledgeable person in the Embassy about what was going on and certainly supplied very little encouragement about getting Mr. Ochoa out——

The Chairman. This is at the United States Embassy in Spain?

Mr. GREGORIE. The United States Embassy in Spain.

But that was not the end of it. The Colombians actually caught Mr. Ochoa again in 1987. He was driving a Honduran general's car. What he was doing with the Honduran general's car is not clear, but an honest Colombian policeman arrested him, put him in jail. The DEA immediately flew a plane to Colombia. Put him on the plane, send him back to us, we'll try him. A week passed, 2 weeks passed. I send brandnew extradition papers down to Colombia, because by that time, Barry Seal had been murdered by the Colombians, and Max Mermelstein had provided us new information, so we redid the extradition papers, sent them to Colombia.

Unfortunately, 3 weeks later, Mr. Ochoa was back on the street.

Last October, I received information that Mr. Ochoa was visiting Venezuela on a regular basis, that he was going to a place in Venezuela to rest and recreate, that he had been there several times. U.S. Customs had an informant, a citizen of South America—and I don't choose to say anything more; I certainly don't want anything to happen to him—who says, hey, he's there, you could get him.

We made plans to do it. During the course of the plans, the Minister of Justice from Venezuela was coming to Miami—actually, he was coming through Miami to go someplace else. He said, "I'd like to stop and see Mr. Gregorie to talk about this proposal."

Sure enough, he came to my office, I talked with him. He says, "Look, the guy is an undesirable alien. We don't want him in Venezuela. If you'll go with the Venezuelan police, we'll catch him, we'll put him on a plane and send him back."

The Marshal's Service, U.S. Customs, said we'll get a plane there, we'll send him back. This was sometime in October.

The Chairman. This last October?

Mr. GREGORIE. This last October 1988.

Sure enough, we were ready to go, and a week later, apparently the Minister of Justice had gone back and mentioned this plan either in our Embassy or to somebody in the Venezuelan Government. I started getting calls in Washington that the Venezuelan Ambassador was furious that some Assistant United States Attorney in Miami had the audacity to deal with the Minister of Justice of a foreign country and was going to take it upon himself to arrest some individual in Venezuela without cooperating with the State Department. Everything was put on hold.

Now, you have to understand that——

The CHAIRMAN. Let me get this straight. This was the United States Ambassador to Venezuela, on learning that the Minister of

Justice had stopped by your office to talk with you about us taking one of the major figures in the Medellin drug cartel back to the United States, put the clamps on this?

Mr. GREGORIE. He put the clamps on it, Senator. He stopped it, insisted that there be meetings. I got word back—and this is not direct—the quote that I got back was: "No assistant United States attorney is going to be responsible for burning down my Embassy." Now, that may be a reference to the fact that when Matabalasteros, a very high-level cocaine dealer, was arrested in Honduras, there was a riot, and fire was set to the Embassy.

I submit to you, as I say, this is a foreign policy problem, and there are some dire consequences when we take actions in this area, but they are necessary actions.

The CHAIRMAN. Why did it take a week for you to get the DEA in a position to be able to get a plane down there?

Mr. GREGORIE. Well, it wasn't DEA. It was Customs and the Marshal's Service, and it was a matter of having them down at the same time Ochoa was going to arrive, and we didn't have control over Ochoa's schedule; he had control over it.

The CHAIRMAN. I see. So Ochoa was not in Venezuela at that time.

Mr. GREGORIE. Not at that moment, no.

The CHAIRMAN. OK.

Mr. GREGORIE. Attempts were then made to see if we could do anything to keep Ochoa from coming on the date he was scheduled or to have him come back, or to see if we could find out how many times he would be in Venezuela. The battle went on between DEA, who then got involved, U.S. Customs, the U.S. marshal, and the State Department, until the middle of December.

By the time we got people to agree that it was OK to go ahead and do this, it was December 15. You have to understand the Colombians between the 15th of December and the 15th of January do nothing. Literally, all trade stops. There may be some narcotics traffic in the United States, but the dealers go home, everybody goes home to Colombia, and they take a Christmas holiday.

So Ochoa wasn't coming to Venezuela during that period of time. It had been delayed into that period, and the plan was virtually killed. At that point, nothing occurred.

Now, I must tell you that the informant in this matter called me a few weeks ago, and I had a personal conversation through an interpreter with him. What he said was that he had been called in because the cartel had done their own investigation, having either read in the newspaper or figured out from some other source that this plan had been arranged, and they had done their own investigation of where the leak was, who it was that was setting Ochoa up, and that they had played a tape for the informant of a tape-recorded conversation coming out of the Embassy in the United States to some other official, which indicates to me that the cartel actually has the ability to intercept our communications.

For me to have been on the phone, to have called an ambassador or somebody in the State Department and informed them of what we were going to do, in my mind would have killed that particular investigation and that attempt.

So in my career, I indicted twice the biggest cocaine dealers in the world, had at least one of them in jail twice and was unable to get him to the United States, and had a very viable plan a third time to get him to the United States and try him, and the State Department killed it.

I must also tell you, Senator, and I want to be brief—I am sorry if I am taking up too much time—but the problem in the U.S. law enforcement is that you need a joint chief of staff, and this joint chief of staff should not be a political appointee. It needs to be a law enforcement person, a professional person, because you have DEA and FBI which belong to the Justice Department; you have Secret Service, ATF, IRS, and Customs which belong to the Treasury Department; you have the Coast Guard, which is part of Transportation; you have the State Department, which doesn't want any part of law enforcement; and you have all the Defense Department agencies and all the intelligence agencies, and none of them coordinate.

When the drug czar comes in to inform the Senate of what he thinks should be done, you should have the Secretary of State sitting next to him to say, "Yes, I believe he is right, and we are going to take these actions," because the drug czar cannot force him to do those things.

You ought to have the Attorney General sitting with him to say, "Yes, I endorse these actions completely, and I will do these things," because it is only the Attorney General who can make those agencies do those things.

You ought to have the Secretary of Treasury there, because there are some tremendous activities that need to take place, and the drug czar cannot make him do anything.

Of all the conversations and all the speeches that he has given, I have never seen those Cabinet members together, talking about the drug problem. That is what needs to be done, Senator. We have had enough talk now; we need some action. And in order to get that action, you are going to need a commitment from those people.

You have got to understand that the FBI has a computer system known as OSIS; DEA has a computer system know as NADIS; Customs has a computer system known as TEX. They don't interact, they don't exchange information, they don't work together. And unless you can get the agencies working as one—unless there is, like the military has, a Joint Chiefs of Staff and regular meetings, you won't have cooperation.

Briefly, on money laundering, this is one of the biggest industries in the world. Unfortunately, in the money laundering area, we have no idea how much U.S. cash, U.S. currency, is abroad. Last fall, we stopped a shipment of microwave ovens and space heaters going to Colombia with $3.5 million in cash stuffed into it. I think this is a great security risk not only to our military security, but to our economic security.

We have no idea how many dollars are brought. The Secretary of the Treasury cannot tell you. In fact, I don't believe the Secretary of Treasury regularly gets information on what kind of activity is going on in money laundering. He is not a law enforcement person,

but he should be brought in on it, and he should realize what is going on.

I have several possible suggestions to that. One is we could change the currency. It wouldn't hurt us to carry bluebacks instead of greenbacks. But if we all had to go to the bank tomorrow, I could take the $20 in my pocket and get exchange for $20 in bluebacks. But a drug dealer who has $2 million in a green dufflebag somewhere is going to have a much harder time going to the bank and registering himself and saying, "Here is the cash I have. Please give me bluebacks for my greenbacks." It would also give us an idea of how much currency is abroad, and it would allow the Secret Service to enact some new anticounterfeiting techniques that they have developed that they now don't have.

Very quickly, let me just go to the street crime issue. I think that is very important, and certainly we need to handle the demand side. The biggest number of street criminals, those dealing in cocaine, are between the ages of 16 and 26. I went through college during the 1960's; I lived through the antiwar days. But I can tell you, Senator, it is my honest belief that this country deserves from every citizen 2 years of public service. It doesn't have to be in the military. You can do it in VISTA, you can do it in some public service agency building housing for the homeless, you can do it in the military if you choose to. You could do all kinds of things. But people between the ages of 16 and 26 ought to be required to give this country 2 years of public service, and that would require people who, if they aren't in school, are in some public service organization and are doing something productive instead of out on the street, where they are looking to make money by selling crack cocaine.

I thank you, Senator, for hearing my suggestions, and I'll be glad to answer questions when the other panelists are through.

The CHAIRMAN. Thank you.

[Prepared statement of Mr. Gregorie follows:]

TESTIMONY OF

RICHARD D. GREGORIE

SENATE COMMITTEE ON THE JUDICIARY

AUGUST 17, 1989

Mr. Chairman and members of the committee

I want to thank you for inviting me to testify at this hearing concerning what specific government actions are necessary to successfully stop the massive narcotics traffic in the United States.

I am a partner in the law firm of Wicker, Smith, Blomqvist, Tutan, O'Hara, McCoy, Graham & Lane in Miami, Florida. Between March of 1972 and January of 1989 I was a lawyer for the Department of Justice. I served as Chief of the Narcotics Section (August of 1982 - March of 1986); Chief of the Criminal Division (March of 1986 - April of 1987); and Chief Assistant United States Attorney (April of 1987 - January 14, 1989) in the Southern District of Florida. I have attached a copy of my curriculum vitae as Exhibit A. As will be clear from my curriculum vitae, I spent my first ten (10) years in the Justice Department prosecuting traditional organized crime and the last seven years prosecuting the new breed of international organized crime. United States Law Enforcement developed sophisticated techniques and Congress passed adequate legislation (RICO; Title III; Immunity; Long Term Grand Juries; Witness Protection) to deal with traditional organized crime, but the same techniques were frustrated in the war on drugs because the United States is unwilling to involve foreign policy, coordinate law enforcement, and exercise intentional pressure to obtain evidence, reduce crop production, and arrest and prosecute the kingpins of the drug industry.

FOREIGN POLICY

The drug problem in the United States is a foreign policy problem, not a local law enforcement problem. Cocaine fields increased by 10% last year, according to the State Department figures, and the supply of cocaine has increased so much that the price of a kilo of cocaine sold in Miami has dropped from $50,000 a kilo in 1982 to $12,000 a kilo in 1989. The major cocaine cartels, Medellin and Cali, do not trust domestic U.S. distributors to run their operations, but send Colombian workers to operate their stash houses and distribution organizations. They also send middle level managers to audit and review operations in the United States. These Colombian cocaine employees easily enter the United States with false identification or multi-entry visas supplied by the United States Department of State to Colombian businessmen who have to go in and out of the United States for business and do not want to have to go to the United States Embassy before each trip. Everything from low level money laundering operatives referred to as "smurfs" to contract killers and high level cartel managers enter the United States with ease. The United States has no system to monitor who is in the United States, for how long, and for what purpose. The United States has lost control of its borders and as a result the Colombian cocaine cartel are allowed to keep hands on control of their narcotics operations.

Major investigations of the world's leading cocaine traffickers have successfully resulted in indictments and even arrests or possible arrests abroad of the leaders of the cocaine cartels. Failure of the United States Foreign Policy, however, have resulted in return and prosecution in the United States of few of these defendants. In 1984, Gilberto Rodriguez Orejuala and Jorge Ochoa, the leaders of the Cali and Medellin cartels respectively were arrested in Madrid, Spain, on provisional arrest warrants based on indictments in the United States. Both men were in Spain to set up a European cocaine market which is currently flourishing. Shortly after the United States sought the extradition from Spain of Ochoa and Orejuala, the Colombian government began a competing extradition process. No irate complaint went to Colombia saying the United States has the witnesses, the evidence, and the ability to bring these men to justice. The first Colombian charges, importing bull fighting bulls illegally, were not accepted by the Spanish court as serious enough to overcome the United States narcotics charges. The Colombian government then copied the United States' charges, which had conveniently been translated into Spanish for the extradition process. Several months of court hearings went on in Madrid resulting in Spain sending Ochoa and Orejuala home to Colombia. After approximately two weeks they were set free and were back in business.

Jorge Ochoa was captured again in 1987 in Colombia driving a Honduran general's automobile. He spent three weeks in jail. The United States' charges had no effect, as he was once again set free and sent back to the cocaine industry. Twenty (20) judges and lawyers were murdered in Colombia in 1988 alone. Unfortunately, bribery and fear rule the outcome of court proceedings in that country. A third opportunity to capture Jorge Ochoa was agreed to in another South American country as a result of a joint U.S. Marshal, U.S. Customs, and U.S. Attorney effort inthe fall of 1988. All went well until the State Department interfered and the plans were delayed to the point where Ochoa no longer would come to the planned location.

The second most powerful member of the Medellin Cartel is Pablo Escobar. He has been indicted in the United States at least five separate times. He was a Colombian legislator and still attends public functions and social events in Colombia. No attempt, however, has been made to arrest him or bring him to the United States. The evidence against him includes a photograph of him assisting now murdered government witness, Barry Seal, to load sixteen hundred pounds of cocaine onto an airplane in Nicaragua.

The leaders of the cocaine industry have the people of South and Central America convinced that they are untouchable. Their wealth grows as the cocaine industry flourishes and the United States refuses to intervene in the safe havens where the cocaine kingpins reside.

U.S. LAW ENFORCEMENT COORDINATION

United States Law Enforcement needs a joint Chief of Staff. The F.B.I. and D.E.A. are agencies of the Department of Justice. Customs, I.R.S., Secret Service, and A.T.F. are all agencies of the Treasury Department. The United States Coast Guard is part of the Department of Transportation. The State Department wants no part in law enforcement and the Department of Defense has chosen to avoid taking part in a struggle the government shows little willingness to win. In order to successfully combat international drug traffickers all of these agencies must work together, share intelligence information, have designated roles in one national drug policy, and sit together on a regular basis to resolve disputes.

The Secretary of State should commit the Department of State to make narcotics a priority. He should call for a Summit of drug producing countries and tell them that the United States will not accept increased drug production. An agreement should be reached for the arrest and extradition to the United States of the leaders of the cocaine industry. Trials will be open and fair in

accordance with all of the United States' constitutional guarantees. A panel of observers from the drug producing countries may be invited to observe the United States' handling of each case, but these defendants must be arrested, extradited, and brought to trial.

Recommendations of the drug czar will be meaningless rhetoric unless the Congress insists that the cabinet members responsible for each contributing law enforcement agency and the Department of State agree to take part in a national narcotics strategy. This agreement must include the Foreign Intelligence agencies.

MONEY LAUNDERING

The cocaine industry is a multi-billion dollar enterprise. Millions of dollars in United States currency are physically transported out of the United States each day. No one knows how much United States currency is stored abroad. This is a threat to our military and economic security to say nothing of providing a financial base for increased narcotics production. We are responsible for making Peru, Bolivia, and Colombia one-crop economies as their farmers find it five times more profitable to grow coca than any other crop. Fear that countries in South and Central America will refuse to pay their debts or will terrorize United States' businesses in these foreign jurisdictions or will turn Communist are alternatives we must face if we wish to stop the narcotics traffic.

One short term course of action would be to change the United States currency. If Bluebacks were substituted for Greenbacks and everyone was required to turn in their cash, a minor inconvenience for the average citizen would require narcotics traffickers to disclose their hidden cash hordes. The new currency also could be made with new anti-counterfeiting technology and provide the Treasury with some idea of how much United States currency is held abroad.

More stringent reporting requirements should be placed on foreign investors in the United States who sometimes use ficticious corporations to hide drug proceeds and launder money. Foreign corporations should be required to list all of their financial backers and stockholders under the penalty of perjury with the possibility of forfeiture of any holder's interest in a business which was disguised or falsely reported.

Training should be given to bank examiners concerning money laundering. The bank examiners should be as alert to money laundering as they are to bank security. The bank regulatory agencies should be working directly with law enforcement to uncover money laundering schemes as well as bank fraud. There should be one Treasury enforcement agency combining the financial expertise of the I.R.S., the border search authority of U.S. Customs, the expertise in arms and counterfeiting of A.T.F. and Secret Service, and the bank regulatory know how of the regulatory

agencies. This would remove several layers of bureaucracy from law enforcement, especially the I.R.S., while adding needed manpower to financial investigations. This will also deter some of the interagency rivalries and combine the intelligence resources of currently independent agencies. Most importantly, this will re-emphasize the importance of financial investigation in the prosecution of the cocaine industry. During the last year I.R.S. has reduced its number of agents working money laundering in Miami to its lowest level since the early 1980's. The Treasury agencies with jurisdiction over money laundering must have adequate manpower and support if they stand any chance of defeating the well financed and organized cocaine cartels.

STREET CRIME

Every major United States city is plagued by street crime which is directly traceable to narcotics use or sale. United States citizens are losing their freedom to travel, to associate, and to enjoy their surroundings as a result of the ever increasing amount of cocaine being imported into the United States and distributed on our streets. The largest number of street criminals are between the ages of 16 and 26. Congress should consider instituting a national service requirement which would call for all citizens between the ages of 16 and 26 to do two years of public service whether it be in the military, vista, the peace corp or some other public service organization. Deferments

for education would be permitted as long as the two year service was begun by age 26 and must be undertaken once the individual was no longer enrolled in school.

Congress has passed several new anti-narcotic statutes which, by themselves, are tremendously helpful in prosecuting narcotics traffickers. The major problem, however, remains beyond the jurisdiction of these new laws. No matter how harsh the sentence for drug trafficking, law enforcement can do nothing if the drug traffickers remain beyond their reach. Drug production and shipment play major roles in the economies of our neighbors and allies. The market for drugs is far more lucrative than the market for any other product that these nations produce. We must convince these drug producing countries that there is an alternative source of income which will be more rewarding in the long run than producing and shipping cocaine. We must convince ourselves that the steps necessary to "end this scourge" will have economic, diplomatic, and military repercussions which we must endure.

The CHAIRMAN. Mr. Merkle.

STATEMENT OF MR. MERKLE

Mr. MERKLE. Thank you, Senator. I will be brief.

First of all, I want to thank you for the opportunity to be here, and I want to express my appreciation to you. I come from a background of 17 years in law enforcement. I am now a private citizen, and I extend my thanks to you and to the committee for the work you are doing, as a private citizen and as the father of nine children.

The CHAIRMAN. I beg your pardon?

Mr. MERKLE. Nine, that's right.

The CHAIRMAN. God bless you.

Mr. MERKLE. Thank you. God bless my wife.

The CHAIRMAN. That is more accurate.

Mr. MERKLE. God bless my banker, the guy who keeps the mortgage.

Anyway, Senator, I would just like to offer a brief philosophical perspective on what I think this is all about. I agree with Mr. Gregorie to the extent that he says that this is a foreign policy problem.

To the extent that Mr. Gregorie refers to the technical application of law enforcement considerations, I would agree with that, or to the extent that it applies to the extension of American domestic policy in addressing this problem, I would agree with that. However, I think it goes beyond that as well.

We Americans are very proud of ourselves. I think we consider ourselves particularly imbued by God with a certain grace and courage which allows us to overcome any adversary. We tend to quantify our enemies, and we tend to believe that our collective courage can overcome our enemies. And we have witnessed a national experience in this so-called war on drugs which has confounded our sensibilities and has run against our grain. We believe that we, like John Wayne and Notre Dame and good guys everywhere, can always win. And we have, I think, lapsed into a mode of thought in assessing our progress or how we should proceed in the war on drugs which essentially quantifies what we do in a false context. We count the bodies in this war, much like we counted bodies in Vietnam. We count the tons of cocaine. We count the jails built and the drug traffickers arrested. We count the millions of dollars seized and the property forfeited.

And we look around us and, after years and years of counting these bodies, we see children playing in playgrounds, no longer playing cops and robbers; they are playing drug dealer, drug buyer. We see young people being gunned down randomly in the streets of our cities. We see young people carrying automatic weapons. And we realize that we are not winning this war.

I would suggest that ultimately, this is America's second civil war. It is not a question merely of foreign policy or domestic policy. It is a question of how we collectively as a people respond to what has been a moral and cultural earthquake in this country which has yielded the demand and the appetite for drugs, which allow the narco-terrorists to operate in their foreign havens.

I would suggest to you that the experience of law enforcement is that no amount of money, no amount of agents, no amount of military, no amount of jails or judges are going to win this war ultimately.

But I would also suggest to you that in this war, as in any war, the fundamental purpose of our leadership is to form and solidify and strengthen a national collective will. To that extent, I respectfully suggest, it is important that we do whatever we can do in terms of the technical application of our expertise as best we can do it.

That means we do not pull political punches—and I want to commend you, Senator, for your comments early on at this hearing, which were very heartening; you recognized, I think, what Mr. Mermelstein echoed, that this is not a partisan issue. Drugs do not discriminate among Republicans, Democrats, Catholics, Protestants, Jews, blacks, whites, Hispanics.

This is nothing less than a war for our national character. And until our entire country realizes this, and until we have political leaders who take it upon themselves to tell people what they must hear and not what they want to hear, then we are not going to form that national collective will to make any progress.

Very briefly, on the practical side, it is vitally important that we recognize that law enforcement is part of a holistic problem. It therefore requires a holistic response. That means interdiction is important. We must do the best job we can in interdiction. Source identification and eradication is important. We must do the best possible job we can. Prosecuting street dealers is important. We must do the best possible job we can.

We cannot pick and choose among these things according to what appears fashionable at the time; otherwise we reduce ourselves to a situation where we are infinitely and futilely plugging fingers into an ever-leaking dike.

So I would just suggest to you that to the extent that the President, this committee, the political leadership of this country, and Mr. Bennett can come together to form a consensus as to how we must proceed, it should be done and it must be done. It will have a great impact on how our national will is formed and strengthened to carry on and ultimately win this.

I have seen, both as a prosecutor and traveling around the country and talking to citizens' groups, a great temptation, even in our media here today who have talked to me, to say: What's the use? Why are we doing all of this? You can't possible eradicate crops in Peru. You can't possibly seize all the drugs coming into the country. You can't possibly jail all the criminals.

Well, those things are all true, but collectively doing all those things as best we can, I think we can ultimately come to a situation and a state of affairs in this country where we are no longer a nation substantially addicted to narcotics, and people who would facilitate what is essentially a form of terrorism in our streets will recognize finally that we are serious about what we are doing.

When people talk about a drug dealer, people should realize and recognize ultimately that that drug dealer is responsible for unleashing more terror on the streets of America than any of the minions of the late, if not dearly departed, Ayatollah Khomeni.

The fact is that whether you are sitting on a street corner in a slum in America, selling crack cocaine, or whether you are occupying the presidential palace in a foreign country, if you are facilitating the flow of drugs into our neighborhoods and into our schools, you are a terrorist. Our country must recognize that, and it must begin to address the problem with that caveat in mind.

Thank you, Senator. I will have nothing further to say unless you ask me some questions.

The CHAIRMAN. Thank you.

[Prepared statement of Mr. Merkle follows:]

STATEMENT OF ROBERT W. MERKLE TO COMMITTEE
ON THE JUDICIARY, WASHINGTON, D.C.
AUGUST 17, 1989

I wish to thank Senator Biden and the members of the Committee on the Judiciary for inviting me to attend this hearing on United States international narcotics control policy.

I confess at the outset to a singular lack of expertise regarding the diverse and complex technical, social, economic and political aspects of the problem this committee seeks to focus on. As a former United States Attorney in a state which bears a similar relationship to drugs as Detroit bears to cars and New York bears to finance, I have a certain practical experience which may prove of some benefit. However, it must be stated that neither I nor any one person or aggregate of persons can speak ex cathedra on the topic. With the foregoing in mind, I offer then what may hopefully be of use to this committee.

1. International Drug Trafficking and its Effect on the National Security of the United States.

It has long been widely recognized that the security of any nation may be threatened from without or within. It has only recently been recognized that drug trafficking presents immediate threat to this country's security from both directions. Any assessment of the effect on our national security of international drug trafficking has to begin with the acknowledgement that the vast majority of illicit drugs consumed in the United States emanate from points beyond our borders. The assessment must then turn to the impact on our families, communities, social institutions, and national character by the level of drug use that

we have seen consistently rising over the past twenty years. Even were the level to remain current, emerging facts regarding the consequences of such drug abuse make it clear that such consumption level is incompatible with this nation's ability to preserve its institutions and its values, and is therefore inimical to the security of this nation as we know it.

The streets of America have become a battle zone and the casualties are mounting daily. The members of this committee do not have to look far to see the stark violence of this war. Washington, D.C. suffers almost two drug-related murders every day. In an emerging national tragedy which sees approximately 200,000 drug addicted babies born each year in this country, Washington, D.C. has again grabbed a share of the spotlight. In 1988, 18% of all babies delivered at D.C. General were born to drug dependent mothers. At Howard University Hospital, officials perceive that as many as 50% of mothers giving birth are drug dependent during pregnancy. The children fortunate enough to survive catastrophic injury or death in the womb more than likely are born to a life without family or the prospect of full physical, mental or emotional development. It has been estimated that 75% of all abandoned newborns are the offspring of drug abusing mothers. At D.C. General Hospital the cost for ten such abandoned newborns in a recent six week period was more than $500,000. Apart from the escalating costs this particular health care crisis places on America's overburdened health care providing system, an equally tangible if less quantifiable social cost is being exacted

throughout the United States upon an increasing number of disadvantaged ethnic and minority communities ravaged by the onslaught of crack cocaine.

The unabated crack epidemic wreaks immediate harm beyond those who use the substance. It has contributed to the continued escalation of crimes against persons and property. While no one can provide precise figures, it is clear that between 50 to 70% of all crime is drug related. The computer does not exist that can calculate the misery engendered by this crime wave or the cost to society. Social institutions, particularly the criminal justice system, have been brought to a point beyond collapse. The phenomenon engendered by these facts which is particularly injurious to a free society is the growing perception in the public mind that government is incapable of providing that which it is primarily charged with providing; protection of life, liberty and property.

Present levels of drug consumption in this country directly threaten our productivity as a nation and thereby our survival in an increasingly competitive world. The love, peace and liberation of mind and spirit which the drug culture promised twenty years ago at Woodstock are now seen as counterfeit promises. The corrosive effects of drugs in the workplace have been amply demonstrated. It is estimated that drug users are three times more likely to be involved in on-the-job accidents or absent from work twice as often as non-drug users, are only two-thirds as productive, consume three times the medical benefits because of

drug related illness and injury, are five times more likely to file workman's complaints and are repeatedly involved in grievance procedures. Leaders of business and industry, recognizing the fundamental antagonism of drug use to efficiency and profits, have increasingly turned to drug screening and treatment programs in-house in an effort to forestall economic disaster.

While recent studies suggest that drug use in primary and secondary schools is levelling off if not declining slightly, the nation remains at risk of losing the creative potential of a substantial percentage of future generations to drugs.

The illicit and virtually countless profits from drug trafficking generated within the United States wreak an equally insidious if less bloody violence on society and social institutions. With ever more frequency we perceive the integrity of state, local and federal governmental decisions influenced by, corroded, or fundamentally corrupted by drug use or the money generated by drug trafficking. The organized criminal enterprise which seeks an infinite variety of ways to launder illegal drug monies has corrupted financial institutions, the professions and those who provide ordinary commercial goods and services in return for drug dollars. Such illicit enterprises compete unfairly with the American small businessman, serve to create false and costly economies and otherwise present hidden and unauthorized taxes on law abiding citizens.

The American drug market contributes to the flight of American capital to foreign safe havens and black markets with further deleterious effect on the nation's economy.

The United States depends for its continued vitality on an efficient and reliable commercial and private transportation system. Drug consumption in the significant percentage of the population that we presently see poses an unacceptable risk to the trustworthiness and integrity of those systems.

A Gallop poll released this week has concluded that the American public "are in a wartime mode and sense a national emergency in the drug crisis." According to the survey, such a polling result has been virtually unprecedented. It is important to note that the reported public attitude in this regard is more than amply justified by the presently observable impact of drug use on our society. Much of the damage being done today will not be discernable until years down the road. It is impossible to assess the future destructive effect and social cost of the families being torn apart today thanks to the traffick in illicit drugs. Suffice it to say that all of the foregoing indicates clearly that notwithstanding our own responsibility as consumers of illicit drugs, the international drug trafficker who make such drugs available in vast quantities and at market prices is engaged in a business which can only be viewed as destructive of our national security from within. Indeed, the consequences of such drug use in a society such as ours were clearly foreseen and anticipated by the likes of Carlos Enrique Lehder Rivas, who had long and publicly

articulated the view that cocaine could be used as a weapon to destroy America.

The second prong whereby the national security interest is threatened concerns the threat from without. It should be apparent that international drug trafficking gravely threatens our national security interest for reasons other than those outlined above. History has taught that national security is necessarily a collective endeavor. That is to say, a nation may only be secure in its borders and its principles to the extent it engages in alliances with other nations of similar principle for mutual advantage, commercial growth and protection.

It may be argued that the national security interest of the United States will be most directly impacted in the long run by the extent to which this nation is able to foster such alliances in this hemisphere. It is beyond peradventure that it is in the fundamental interest of this country to foster the development of economically strong and liberal democratic governments in Central and South America. To the extent we fail in such effort, we ensure our isolation in a hostile world; and no amount of linkage to an economically or politically weakened European community will salvage such isolation. The future of this country lies in the marshalling of personal and national resources in this hemisphere in a constructive mode of alliance. The international traffick in narcotics poses a grave threat to such hemispheric alliance.

As noted above, drug trafficking has been recognized and utilized as a direct instrument of aggression against the United

States. The drug trafficker has other means at his disposal to attack our national security than the intended and anticipated consumption of drugs by our general population.

The billions generated in illicit drug profits are, and have been made available to finance terrorism, undermine regional economies, and destabilize legitimate governments.

Within the past five years, indictment after indictment have relentlessly revealed the extent of corruption occasioned by the traffick in narcotics. The civilian and/or military leadership of virtually every Latin American and Caribbean Basin country has been tainted by such illegal traffick. The Bahamas, Mexico, Panama, Surinam, Colombia, and Cuba are countries, among many others, which have seen officials corrupted by the drug trade. It is a matter of fundamental common sense to conclude that a nation whose military forces or civilian leaders willingly dip their hands in the bloody profits of drugs is a nation whose ability to conduct itself in an objectively self-interested and responsible fashion has been impaired. It should be further axiomatic that a nation whose policies, domestic or foreign, are influenced or dictated by individuals affiliated with such a trade is a nation that is impaired in its ability to act responsibly within a hemispheric community of nations. International drug trafficking in short is fundamentally incompatible with geopolitical stability.

2. The Effect of Drug Related Profits on the Political, Economic, and Social Institutions of Latin American Governments, Particularly Drug Related Corruption.

The above general observations within the category of domestic security are germane to this issue. It has already been generally observed that drug profits have caused civilian and military leadership in numerous Latin American countries to involve themselves in narcotics trafficking. It should be pointed out that the narcotics traffickers have not shown a pronounced inclination to discriminate among those whom they would corrupt and recruit into their ranks. It matters little whether a given country is assertedly pro or anti-United States. The money from drugs appears equally attractive to politicians and policemen from the Bahamas to Mexico to Colombia and beyond. The ability to corrupt the legitimate governing apparatus in any country provides the narcotics trafficking organization with the ability to influence or dictate the conduct of that apparatus. Thus, in Colombia we see today a government that is in many respects a hostage of the criminal element in its midst. Through the use of bribes and terror, international cartels have effectively and with little exception forestalled meaningful efforts by the Colombian government to cooperate with the United States in the war on drugs. Scores of extradition requests have been ignored. This is not surprising given the fact that the narco-terrorists are responsible for the assassination of scores of judges, journalists, police officers and innocent civilians in a campaign of total intimidation. In the past, the drug bosses in Colombia have maintained a symbiotic relationship with Cuban supported guerrillas in their country, supplying them with weapons in return for

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protection. The drug king pins have sought to deal and have dealt to mutual advantage with the leadership of Cuba, Panama and the Bahamas.

In Peru the government is virtually impotent against the violent attacks of the communist Sendero Luminoso (Shining Path) rebels. It has been estimated that these rebels earned more than a half billion dollars in 1988 from drug trafficking. They are consequently able to maintain security forces which in fact outgun and outmuscle those of the legitimate government.

As noted, it is in the critical national security interest of the United States to encourage the development of democratic social institutions throughout this hemisphere. A necessary step in that process is the ability of countries in the region to achieve and maintain the capacity for capital formation. Weak and unstable economies which are the rule rather than the exception, and corrupt and inefficient governmental mechanisms fatally impede this process. The flourishing black market for American dollars in South America contributes to the erosion of national currencies and local economies. The billions of dollars laundered through regional banking centers present profits for the few at the expense of long term integrity of financial institutions and economic development.

The above represent but a few admittedly superficial observations concerning those aspects of the international drug trade which directly militate against social and economic progress in Central and Latin America. To the extent such progress is

frustrated or defeated, this country can look forward to the prospect of increasing instability and conflict throughout the region. As that occurs, the prospects for confrontation with the United States increase while the chances for cooperation diminish. Lest anyone doubt that drugs directly bear on our national security interests, they need but consider the situation in Panama where a fundamentally pro-American populace have been literally subjugated by a tin-horn dictator who maintains his power and his control through alliance with narcotics. The similar corruption of elements of the Panamanian Defense Forces upon which this country could foreseeably and presumably place great reliance, presents a genuine dilemma with respect to our legitimate security interest in the Panama Canal.

3. The Investigation and Prosecution of Major Foreign Trafficking Cases, particularly, Investigations Focusing on the Financial Side of Drug Trafficking.

Stated succinctly, the last ten years have seen a quantum leap in our ability to effectively investigate and prosecute major foreign drug trafficking cases. The terms are used advisedly for while we are now able to satisfactorily marshal the evidence to penetrate the inner workings of international cartels and lay formal charges for their criminal conduct, it remains a sad fact that the majority of notorious drug barons continue to enjoy de facto immunity from prosecution by virtue of their location in foreign territories. Carlos Lehder was the first and thus far only member of the so-called Medellin Cartel to be extradited to the

United States and successfully prosecuted. While Lehder justifiably deserves a place of honor in the rogues gallery of international drug king pins, in the 15 years since Mr. Lehder began his ascent to power, scores of other individuals have committed criminal narcotics activity on a scale equal to or greater than his, yet they remain beyond our reach even where extradition treaties are formally in place. The host country, as in Colombia's case, is unable to muster the political will to honor a given extradition request in the vast majority of cases. In the past there has appeared to be a lack of resolve in establishing narcotics enforcement as a top priority item on our foreign policy agenda. It is understandable that a host government, such as Colombia's, which must endure the prospect of immediate and violent retaliation for cooperation with the United States, would refuse consistently to honor our extradition requests given any ambiguity in our policies and priorities.

Recent federal investigations and prosecutions have demonstrated the global extent to which the drug cartels are able and willing to instantaneously move vast amounts of money. International banks are particularly susceptible to being targeted as money laundering vehicles. Certain banks have been coopted into such criminal activity through the conduct of corrupt bank officials. Others, by virtue of their asset base and location in countries with hospitable (to the drug lord) bank secrecy laws, are made unknowing if necessary partners in the drug business.

Federal law enforcement has historically encountered great difficulty monitoring compliance by domestic banks with regulations and statutes designed to red flag the money laundering transaction. Absent the imaginative and fortuitous penetration of an international operation, as exemplified by the recent "C-CHASE" undercover investigation against the Bank of Credit and Commerce International, detection of such activity is unlikely.

Here again, the United States must assert international leadership against the backdrop of a clearly enunciated foreign policy priority, to accomplish multilateral agreements whereby banking operations are monitored, information shared, and laundering operations are detected in progress. Efforts must also be made to discourage the creation of safe banking havens such as San Marino, Malta and Liechtenstein. Particular emphasis should be given an international initiative in this regard given the scheduled economic integration of Europe in 1992. Italian officials have recently expressed fears that the removal of trade barriers and creation of common currency will facilitate even greater drug trafficking and money laundering in Europe. Should this occur, such officials perceive a threat to the stability of the Continent's banking system.

The conditions appear favorable to the accomplishment of real progress in this area. In the first instance, legitimate banks do not need the drug trafficker's business. Secondly, recent successful prosecutions within the United States have demonstrated to the international banking community the marked downside to

getting caught. Thirdly, the increasing global interdependence in matters of trade and fiscal management present drugs and money laundering as a widely perceived destabilizing phenomenon. As the preamble to the United Nations Convention Against Illicit Traffick in Narcotic Drugs and Psychotropic Substances states: "...illicit traffic generates large financial profits and wealth enabling transnational criminal organizations to penetrate, contaminate and corrupt the structures of government, legitimate commercial and financial business, and society at all its levels..." The Convention further notes "...illicit traffic and other related organized criminal activities . . . undermine legitimate economies and threaten the stability, security and sovereignty of states."

4. The Effectiveness of Current U. S. International Drug Control Policy Including the Relationship between U.S. Enforcement Agencies and the Department of State.

The U.S. Drug Control Policy on the international front has been largely ineffective. Reasons for this are several. They include: (1) it is a practical impossibility to interdict a substantial percentage of drugs shipped from beyond our borders to this country absent the functional equivalent of the Berlin Wall constructed along the 77,000 miles of United States coastline. No amount of civilian or military components would, in my opinion, effect a substantially meaningful increase in the level of drugs already seized. While precise figures are impossible, it is estimated reasonably that between 10 and 20 percent of all narcotics destined for this country are seized. Replacement costs

for such drugs seized to the cartels is negligible. Moreover, they continue to operate with virtual impunity in source countries and with unlimited access to raw materials are able to produce sufficient quantities of narcotics to meet consumer demand in this country.

While interdiction should be deemphasized as the principle front in the drug war, a continuing level of effort is nevertheless important and salutary. On the other hand, the principle focus should be devoted to eliminating or curtailing the production of drugs at their source. The three principle trouble spots where this effort should focus are Colombia, Peru and Bolivia. Principal transhipment points include Cuba, the Bahamas, and Mexico. Our efforts in the past have been hampered by the fact that narcotics control has heretofore not occupied the priority it should in the formulation of United States foreign policy.

The most effective form of interdiction would be to devise strategies to cut off drugs at the source. In this regard, the United States at present is largely dependent upon the ability and willingness of source countries to eliminate or curtail drug production and drug transhipment from those countries. Obviously, our efforts in this regard have been to little effect. There have been isolated and sporadic instances of splashy efforts in foreign countries involving use of host government forces together with support personnel and equipment from the United States.

Efforts to sustain continuity and effectiveness in such operations have been hampered by limitations on the numbers and

acceptable activities of DEA agents in foreign countries, impaired efficiency in the operations concept in U.S. Embassies, timidity of host governments, and the absence of regionally endorsed and politically acceptable basis for such operations. American military equipment should be made available for such operations as target drug processing laboratories and distribution centers. Strong initiatives should be undertaken to effect multilateral endorsement and participation in such operations at the request of the host country. DEA should be accorded responsibility for coordinating such operations and answering directly to the United States Ambassador in the given country of operation.

The CHAIRMAN. Mr. Bailey.

STATEMENT OF DR. BAILEY

Dr. BAILEY. Mr. Chairman, I appreciate the opportunity to appear before you today on this vitally important subject, and before beginning my formal testimony, I just want to mention something that occurred to me when Mr. Gregorie was talking about the Venezuelan situation.

Last year, the President of Venezuela in a conversation I had with him complained that the United States Government simply did not seem interested in Venezuelan cooperation on either the drug trafficking matter or on various other matters where Venezuelan cooperation had been offered, including the identification and arrest of Libyan agents.

In 1982, when I was Senior Director of National Security Planning at the White House, we initiated a program designed to address certain security problems such as illegal technology transfer, funding of guerrilla and terrorist activities, aspects of the debt crisis, and the evasion of Government-decreed boycotts and embargoes by means of an innovative program which eventually came to be called by the nickname "follow the money."

This program was designed to trace financial flows originating in or resulting from these activities, primarily by means of human intelligence and electronic intercepts.

On July 12 of this year, the public broadcasting system aired a 1-hour special in the American Interests series, entitled "Follow the Money," which elicited a great deal of interest. I and my former deputy and eventual successor at the National Security Council, Roger W. Robinson, were prominently featured. It was a good program, but I was very disappointed that my remarks and those of other participants, who commented extensively upon the use of follow the money techniques to combat money laundering of narcotic drug receipts, were eliminated from the program, which concentrated entirely on the East-West dimension.

In 1983, follow the money techniques began to be used in the so-called war on drugs and has chalked up some remarkable successes at minimal cost, which contrasts with the $21 billion spent on interdiction, education, and research efforts in the United States alone between 1981 and 1989, the results of which were described in the August 10, 1989 Wall Street Journal as not "so much a war as a free-for-all."

I cannot see how the usual prescription of "more prisons, more Federal agents, and more prosecutors" is going to have more than a marginal effect on the drug problem at enormous costs.

In contrast, follow the money techniques were greatly instrumental in confirming Panamanian involvement in drug trafficking and money laundering, as well as other negative activities such as illegal technology transfer, embargo evasion, and gun running to terrorist and guerrilla groups in Central America and Colombia.

The resulting economic sanctions imposed on Panama were designed to force dictator Manual Noriega out of office. They have not succeeded in accomplishing that, but an unexpected favorable result was commented upon by Scott McDonald in his recent book

on narco-terrorism, Mountain High, White Avalanche: "The temporary closure of Panama as a money laundering center created a brief shortage of dollars in the cocaine trade throughout the Andes."

In 1988 and 1989, major follow the money operations involving banks such as the Bank of Credit and Commerce International, Banco de Occidente of Colombia, Uruguayan banks and such American banks as Chase, Citibank, Continental Illinois, and others, as well as various gold brokers and jewelry firms, have not only seriously hampered drug operations, but have provided direct evidence of General Noriega's own profits from these activities.

After all, drug traffickers, unlike guerrillas and terrorists, or even outlaw governments such as those of Cuba, Libya, and Syria, have only one motivation—profit—the exact same motivation of those who produce and sell legal narcotic drugs such as alcohol and tobacco.

To date, almost all resources in the antidrug effort have been directed toward either physical interdiction, which has been about as successful as similar efforts during the Prohibition era, or in addressing the motivation of the buyers. Since these are highly complex and include human frailty, the capacity of self-deception and the pursuit of pleasure, such an attack is likely to succeed if at all only after a very long time. In contrast, the follow the money techniques and resulting actions directly attack the single motivation of the sellers—profit.

Although not a panacea, there is no weapon available in the war on drugs that has anywhere near the favorable cost-benefit ratio of an assault on money laundering—and I say that even if I may be accused of being a bean-counter. We have a limited supply of beans in this country.

The techniques are well-known, and they work. The results have been most encouraging, and that is why the decision of the G–7 countries at the recent Paris summit—which took place right after the Follow the Money Television Program—to establish a joint "financial task force" to track drug money through the banking system has such enormous potential, deserving enthusiastic support from the U.S. Congress and the American public in general.

In addition, in my view, Congress should seriously consider legislation making directors and top-ranking officers of American banks and companies personally and directly accountable for drug money laundering activities their institutions may engage in. Foreign banks and companies should be faced with the possibility of revocation of their licenses to do business in the United States. And in this regard, I want to mention the highly favorable effects of the recent "Polar Cap" Program, the freezing of the funds of the Banco de Occidente, the eventual establishment of a $5 million fine, the international collaboration that went on in order to do this, and the sharing of the fine money with these foreign countries. I think this kind of activity gives me great hope.

Thank you very much, Senator.

The CHAIRMAN. Thank you, Mr. Bailey.

Mr. Gregorie, is Mermelstein a reliable witness?

Mr. GREGORIE. I think he is a very reliable witness, Senator. He has testified in three different trials. We qualified him in two as an expert witness. He has shown an amazing intelligence.

His knowledge has been corroborated by testimony of other witnesses and by events which we have been able to track. I think one of the interesting things is he did tell us there was a contract on Barry Seal's life. We informed Barry Seal of this. He was very much aware of it when he was killed. Barry Seal, after he was murdered, and Mr. Mermelstein began providing testimony, Mermelstein said:

> I think I know who did it. He tested the weapon in my basement, and he fired it through a water-filled waste basket and a telephone book. And if you go to that house and dig out the basement wall, you'll find the bullets, and if you match them, you'll see they are the same ones that killed Barry Seal.

Mr. Mermelstein was in jail when Seal was killed, so we knew he wasn't present at the scene. We sent ATF agents over to the house—it was then owned by somebody else, who gladly let us go to the basement. We tore up the wall, found some bullets in it, sent them to ballistics and compared them, and sure enough, they were exact matches.

Mr. Seal is able to do that with numerous other events and——

The CHAIRMAN. You mean Mr. Mermelstein.

Mr. GREGORIE. Mr. Mermelstein—I am sorry. I got them confused only because it is very essential to understand that the United States does not get witnesses of that level, with first-hand meetings with the leaders of the cartel that often. And Mr. Seal's murder by cartel members who were hired to come into the United States, snuck over our borders, were illegal entries, was a devastating blow to our law enforcement effort, and the finding of Mr. Mermelstein at about the same time was as quick a recuperation as the United States could get.

The CHAIRMAN. Mr. Bailey, why do you think the Venezuelan president told you that the United States does not seem interested in Venezuelan cooperation on matters relating to drugs, and you even mentioned Libyan terrorism?

Dr. BAILEY. Well, Senator, we had finished our business, and we were discussing things in a general sense—the situation in the Caribbean, in Central America, United States-Latin American relations, and so on and so forth. And he indicated that the Venezuelan Government was extremely concerned that they were not going to be immune to drug activities much longer. They were surrounded by islands and countries where drug activities were extremely important, and they felt they were going to be the next target, particularly for trans-shipment to Europe, which at that time was being opened up as a major market for the cocaine dealers, as Mr. Gregorie mentioned, and people were going through Venezuela, into Spain and so forth, and back and forth in this effort, using Venezuela and Spain as transshipment points.

He simply brought up the question—I didn't ask him; he volunteered it—he said, "One thing I don't understand is why your government does not seem to be interested in working with us in trying to prevent this." Then, as we were discussing that—and of course, he brought up also the Panamanian situation, and he claimed—and I have no independent knowledge of this—that the

Venezuelan Government had been providing the American Government with information about Noriega and the PDF for years without any visible effect—and then he simply mentioned as another example, or something else that puzzled him, that at the time the United States was retaliating for the bombing of the nightclub in Berlin, the Venezuelan Government had identified two or three Libyan agents who had come through Venezuela and so on, and had notified the United States, and nothing had happened; they weren't asked to do anything about it.

The CHAIRMAN. Why do you think we didn't? Do you believe his assertions?

Dr. BAILEY. Oh, I believe his assertions, yes. I cannot imagine why he would have mentioned it unless it were true. It was not the subject of our meeting. He may have hoped that as a former Government official in the national security area that I might pass this information on to somebody.

Yes, I absolutely believe him. As to the question of why, except in the case of Panama and Noriega, I am completely at a loss to explain why; but there are any number of similar incidents that have been alluded to by Mr. Gregorie and others to indicate that other considerations are in many cases, if not in most cases, considered more important than the drug problem, and in that in a very general sense, I will simply say that in my opinion, this administration is the first administration that shows signs of taking the drug problem seriously at all.

The CHAIRMAN. Mr. Merkle, you prosecuted Lehder, and you, as I understand it, believe that his activities in trafficking were supported by foreign governments; is that correct?

Mr. MERKLE. Well, the evidence in the trial certainly, Senator, was very clear to that effect.

The CHAIRMAN. Which governments?

Mr. MERKLE. Well, actually, in addition to the governments in Colombia, the regional governments in Colombia— Lehder pretty much controlled his own province down there—the Government of the Bahamas, the Government of Cuba, and the Turks and Caicos Islands all lent support to Mr. Lehder's operation.

The CHAIRMAN. Would you have had enough evidence, in your view, to support an indictment of the Prime Minister of the Bahamas or Fidel Castro or any other——

Mr. MERKLE. Let me respond to that in this fashion, Senator. The evidence with regard to Mr. Castro can be segregated into evidence which was public and evidence which was not public.

The testimony at the trial, to my recollection, involved the statements by Mr. Lehder in Colombia to his early American partner to the effect that Mr. Lehder had formed an alliance with Mr. Castro through the assistance of Robert Vesco. These statements were made, to my recollection, in approximately 1980.

Those statements alone, concerning those statements, I would not consider myself able to give you a judgment that that constituted probable cause to indict Mr. Castro. However, there have been subsequent prosecutions involving high-level Cuban military officials—and I am not referring to the trials that have been going on in Cuba recently; I am referring to certain prosecutions which occurred in the southern district of Florida—and I am also aware

that NBC has broadcast certain reports of interviews with one of the witnesses that we had in our case, who had been extensively debriefed by us, although he testified in a rather limited fashion in the trial.

Turning to your second question, or the second prong of your question as a prosecutor, I first of all have the obligation to determine that the evidence that I present before a jury is true to the best of my ability. The testimony which indicated that the leadership of the Bahamas was actively involved in promoting drug trafficking came from numerous witnesses of diverse backgrounds who would not have been able to if they were motivated to put a story together. These witnesses included the son of a very prominent, behind-the-scenes politician in the Bahamas who has also testified here before a Senate committee—that was Gorman Banister. It involved the testimony of a former Bahamian politician who, in my opinion, very bravely came to this country to testify. It involved the testimony of admittedly convicted felons in the United States, one of whom testified to direct cash payments to the Prime Minister himself, Leonard Pinley.

There were additional aspects of the testimony furnished which prosecutors would call circumstantial evidence, which supported such direct testimony. Included among these was the rather disturbing story of a consular official in the Embassy who took it upon himself to respond to American requests, or requests of American citizens on Norman's Key who were concerned about the terrorism on Norman's Key, and he directly confronted the Prime Minister himself. My recollection of his testimony, the sum and substance of it, in that regard was that he was told that the Prime Minister had friends in Washington, and shortly after coming upon the scene of the successor Ambassador, this consular official was promptly removed from the Bahamas and was dispatched to shall we say a less attractive outpost, at least in terms of people who like to play golf and things like that.

In any event, I guess the short answer to your question is a prosecutor looking at that evidence would have determined that there was probable cause, which is the standard essentially to be utilized in returning an indictment or requesting a grand jury to consider an indictment.

I can tell you—it has been a matter of public record now—that I did direct that a grand jury look at that evidence as well as other evidence, because the most amazing thing about the Lehder prosecution was that it was the first time ever exposition in an American courtroom, in a very comprehensive fashion of the growth and development of the cartel, and the evidence showed both what was public and what was not public, the interrelationship and the workings of the cartel with many governments, which included Panama, which I neglected to mention, and included the Bahamas and other countries.

Prior to my resignation as U.S. attorney, I had a working understanding of the evidence; I had a prosecutor's theory of where the evidence would go, and I had a reasonable belief as to where it would wind up. However, I can tell you that I was not part of the grand jury process; I do not know what occurred after I left. I do know a substantial indictment was returned, and that indictment

is a matter of public record for whoever is identified in that indictment. That is all I can tell you.

The CHAIRMAN. Your two colleagues do not seem very enthusiastic about State Department cooperation. I understand in the Lehder case, there was a Colombian who was willing to testify, but did not. Is that correct?

Mr. MERKLE. Senator, there was a Colombian who was involved in the apprehension of Carlos Lehder who we wanted very much to have testify. He was—and I did not have any direct contact with this individual myself, so all I can tell you comes from second- and third-hand sources—this individual was justifiably fearful of such process.

My recollection is—which is subject to correction by anyone who has a better memory at this point—that this particular individual ultimately decided he wanted to testify or was willing to testify—in fact, was willing to relocate to the United States. His major concern was not himself but his family, including his extended family in Colombia. My understanding is that he was discouraged from doing so by the Federal officials, unknown to me, unidentified to me, on the grounds that the advantage of his testimony was not worth the trouble of trying to protect his family.

That's all I know about it.

The CHAIRMAN. Isn't that a prosecutorial judgment to be made, though? I mean——

Mr. MERKLE. Well, the prosecutorial judgment is the necessity for the testimony. The judgment as to whether you are going to take the risk or not, or have your family incur the risk, I believe is a collective judgment to be made by the witness and his family, to the extent that he would be appearing voluntarily, which he would have been.

The CHAIRMAN. Obviously. But I mean, I thought you suggested that some American official counseled the potential witness that his testimony was not worth the effort on the part of the United States to relocate his family. Is that correct, or did I misunderstand?

Mr. MERKLE. That's essentially it. And in hindsight, perhaps whoever that person was was correct, since Mr. Lehder was convicted. The prosecutor, on the other hand, who is faced with the prospect of a 7-month trial or longer and very vigorous defense counsel, wants obviously to put in all relevant evidence possible. And the circumstances of Mr. Lehder's arrest were very germane to some of the defense positions taken in the case, and of course, we had no one to testify to that but that person.

The CHAIRMAN. How cooperative have you found them to be, the State Department, when you were involved in this case or other cases?

Mr. MERKLE. Let me just make one parenthetical observation. There were a lot of witnesses in the Lehder case that didn't think their testimony was necessary—a whole lot of them.

The CHAIRMAN. I'm sure that's true.

Mr. MERKLE. I have had only—I do not have Mr. Gregorie's extensive experience with the State Department. I have had the experience of working very closely with the former Ambassador in the Bahamas, whose name I believe was Carol Haad, and I found her

to be extremely diligent, extremely dedicated, and cognizant of drug enforcement as being a No. 1 priority, and very cooperative with DEA and with our office. In fact, it was through her efforts that we were able to secure astonishing assistance from the Bahamian Government. We had numerous police officers come to Jacksonville and testify. We were taken to Norman's Key. We were allowed to retrieve certain evidence. And we actually had some of the weapons purchased in America, found on Norman's Key 10 years ago or thereabouts, present in the courtroom, thanks to her assistance. She was also very concerned with the reports of the ongoing investigation into Bahamian corruption, and I think she took a justifiable position that she was anxious to have the matter resolved, the State Department was anxious to have the matter resolved. And that is where I think there was a difference of opinion at least expressed in the press with regard to that.

The press reports indicated that DEA and Customs, to my recollection, opposed any indictment of Mr. Pinley for historical cases, historical crimes, albeit within the statute of limitations, on the grounds that such indictments would impair or jeopardize what was in place presently in terms of Bahamian/United States cooperation.

That view was expressed, and it was apparently widely shared, and I do not here suggest it is not a legitimate concern or consideration in terms of the decision as to whether to return an indictment or not.

But my experiences with that Ambassador, I found to be very positive. My only other experience was with the Noriega matter, and that was indirectly.

The CHAIRMAN. Mr. Bailey, from your previous testimony it is clear that you are dissatisfied with the lack of action that our Government has taken relative to Mr. Noriega. But as I understand it, you have previously said that there are other cases besides Noriega's that would fall into that same category. Can you tell us what some of those were—are?

Dr. BAILEY. Well, I classified foreign countries into three categories—those that are run by in effect drug traffickers; those where substantial areas are controlled by drug traffickers and their terrorist allies, because narco terrorism is an extremely important phenomenon in some parts of the world at this point; and other countries where it is a problem, but you cannot say that whole areas of the country are actually controlled by these people.

I put only two countries in the first category, Panama and the Bahamas. That was also true in the past of the Turks and Caicos Islands, but the Prime Minister and one other Minister of that country were actually indicted, arrested, and convicted of drug trafficking in Florida. So that basically, at the time I gave the testimony to the Rangel committee, the only other country that I would have put into category 1 was the Bahamas.

The CHAIRMAN. How about category 2?

Dr. BAILEY. Well, category 2 obviously involves countries such as Colombia, Peru, and Bolivia, where the drug producers and traffickers control vast areas of those countries, or the central Government authorities in effect simply don't enter without battalions to protect them. But you can say that those countries are in effect

run by the drug dealers or the drug traffickers and so on, I mean, that President Barco and his Ministers are not themselves involved—and the same thing is true in the other countries.

The CHAIRMAN. Do you have any reason to believe that corrupt foreign officials who were dealing drugs knew that the U.S. prosecutors were having a problem convincing others in the administration of the need to indict them?

Dr. BAILEY. Well, the Panamanians were certainly aware of it, among other things because Americans would go down to Panama and tell them that, including some Americans who wanted to get consulting, lobbying, and/or public relations contracts from Mr. Noriega and his associates.

The CHAIRMAN. So they'd go down to Noriega and say, look, you know, there is a debate going on, the prosecutors want to nail you, but there are some of us who——

Dr. BAILEY. Yes, don't worry about it; everything is OK; nothing is going to happen. And in some cases, this may have even affected Noriega's willingness to accept one of the various deals he was offered to leave office—although in my opinion, as I think I mentioned in the testimony, the main reason, in my view, that Noriega hangs onto his office like grim death is because he knows that if he leaves it, that's what he faces—death—because he has been threatened by the Medellin cartel with being killed; he is useless to them except right where he is.

The CHAIRMAN. Is that an assumption on your part, or do you have reason to believe he has been threatened?

Dr. BAILEY. I was told that by various Panamanian informants whose word I believe and who have been correct about similar allegations in the past.

The CHAIRMAN. Do you have any reason to believe that drugs have been elevated as a priority among the National Security Council folks since you left the White House?

Dr. BAILEY. Well, the National Security Council when I was there had no responsibility at all in the drug area; that was handled by the Drug Enforcement Office in the Office of Policy Development, which was headed at that time by Dr. Carlton Turner, a splendid public official, but essentially without power, unfortunately. And that is the Office that has now been elevated and is now headed by Dr. Bennett.

Now, there is an official on the staff of the National Security Council who deals with that and related issues, so it now does come under the purview, it is now seen as a national security issue. At the time I was there, it was not so seen.

The CHAIRMAN. Some have suggested that the National Security Council—well, let me be broader than that. Some have suggested that all the agencies that have traditionally been involved in foreign policy have been slow to assist the Justice Department in political/criminal prosecutions. Is this an accurate assessment in your view?

Dr. BAILEY. Well, I think that is essentially correct, although I would say that in connection with that, the various agencies and departments of the American Government have legitimate concerns in their areas, whether they are military concerns or foreign policy concerns or financial concerns or trade concerns or what-

ever; and like any difficult decision in the U.S. Government, obviously you have to choose among a number of priorities, and nobody ever gets everything that he wants.

But having said that, I think that the battle against narcotic drugs was an extremely low priority of the American Government until very recently.

The CHAIRMAN. I guess it was about 8 years ago, I chair a committee in the Foreign Relations Committee, Europe and NATO, and I was asked to be a guest speaker—all the bigwigs from NATO were in town, and it was down at the State Department, and I was asked to come and speak, one of several people. I delivered a speech on drugs. I remember how dismayed the State Department was that I would suggest that NATO and NATO countries had a bigger problem with drugs than with just about anything else that we had to deal with coordinating. Ever since then, every Secretary of State—and there have been a bunch since then, even though it was only 8 years ago—one of the things I ask them at their hearings is how important do they believe drugs are, what priority will they give it, how high a profile will it be given. And I have seen absolutely nothing until possibly—well, we'll wait until September and see.

The reason I bother to say that is I'd like all three of you to respond to the following comment. Is it possible for the international drug problem, international drug cartels, not just Colombian—we have a problem with Southeast Asia and Chinese distributors in the United States, Chinese-American distributors, heroin; we have problems with a lot of foreign exports to the United States that are drugs—is it possible for us to really make any impact in terms of eradication or interdiction absent the Secretary of State himself being directly and fully involved in this matter and having it as high a priority in the State Department as arms control or other issues that are of great consequence in foreign policy.

I'd like each of you to comment. We'll start with you, Mr. Bailey, since you and I are talking.

Dr. BAILEY. The answer to that, Mr. Chairman, is clearly no—I mean, the Secretary himself has to consider it an important issue, a high-priority issue, or his lack of interest in the problem will permeate down throughout the Department and into the Embassies, and you may get individuals like the Ambassador to the Bahamas, who understand the importance and who want to cooperate and so on, but by and large you are going to get a Department that simply considers it an unimportant issue, as was certainly the case with reference to Panama when I was working that issue; they just couldn't have cared less.

Mr. GREGORIE. Senator, I would say that the answer to your question is absolutely no; no law enforcement authority, no other agency has responsibility for what happens abroad, and if in fact the narcotics problem is a foreign policy issue, as I have suggested to you, then the only agency that can deal with it is the State Department, and the Secretary of State must set the example. He sets the tone for U.S. policy, for U.S. interest. If he does not make it a priority, then the rest of the world doesn't see it that way.

And I must honestly tell you that all the informants, all the Colombians that I have spoken with, say without question that they

call the cartel leaders "the untouchables," because nobody touches them, nobody goes after them, nobody does anything about them. And unless the Secretary of State says, "This is our policy and we are going to do something about it," the rest of the world does not see that as our interest or as our priority.

Mr. MERKLE. I would agree whole-heartedly with what has been said here, and I would add the following. If I can go back to the example of pre-World War II, I think it was recognized by Winston Churchill that the only possible anticipated response to prevent Adolf Hitler from succeeding was a system of alliances. And you, Senator, have put your finger on the problem, that the drug trafficking problem is a worldwide phenomenon. And I think the present situation is particularly ripe for the sort of leadership that is fundamentally necessary. We have Europe which is coming into a situation in 1992 in which essentially all economic and trade barriers are going to be dropped. You have, I think, an awareness emerging in a world which is more interdependent in terms of trade and movement of moneys than ever before; that drug trafficking on the international scale that we see it is fundamentally compatible with ordered liberty and ordered alliances and ordered trade.

So given that sort of garden, if you will, in which to sow the seed, just as there was fear and discontent and alarm in the European Community prior to World War II, it is existing now, but the United States has got to take the lead to take advantage of this opportunity, and to the extent that the Department of State is the arm of our foreign policy, the Secretary of State must provide the sort of leadership that you refer to here in order to take advantage of the moment.

The CHAIRMAN. I apologize. Since I am the only one here, I must recess for just 2 minutes. I will be right back.

[Short recess.]

The CHAIRMAN. Excuse me for the interruption.

I'd like to get back to money laundering for a second, if I may. Mr. Bailey, getting the money made in drug sales out of the United States and back to Latin America is, as I understand it, one of the drug dealers' biggest problems. It seems like it is almost as hard to get the money back as to get the drugs in. I don't know that for certain.

In fact, in 1986, I coauthored the Money Laundering Control Act to give our law enforcement agencies a tool to use against the weak link—I think weak link—in drug trafficking operations. But of course, the money is still flowing out of the country. It is being physically transported in bales of $20 bills, and it is being deposited in banking systems here in the country, and wire-transferred out of the country.

What additional actions, besides what is on the books now, what laws, can we take to disrupt the flow of drug dollars that are being transported out of the country every day?

Dr. BAILEY. Mr. Chairman, it seems to me that aside from the laws that are already on the books and which have been so effectively used, particularly the 1986 law, in the Polar Cap operation, and which can be expanded in the future, the two steps that in my opinion would be most valuable—one of which would require legis-

lation, and the other one which might not require legislation, I simply don't know—one would be what I indicated in my formal testimony, namely, holding directors and top officials of financial institutions and companies directly and personally liable for money laundering activities undertaken by their institutions if they are American, and if they are foreign, threaten them with withdrawal of their license to operate in the United States.

The CHAIRMAN. Now, would you insist that there be specific knowledge on the part of these directors or presidents that this is happening, or just merely that it happened?

Dr. BAILEY. Well, in my view, the matter is important enough—and I am not an attorney—but it is important enough to hold them liable whether they knew about it directly or not. That's a very personal view, but in any case, that is my view.

The CHAIRMAN. Once the money is wire-transferred out of the country, it is very difficult to trace. What can we do to trace this money that we are not doing now?

Dr. BAILEY. Well, before going to that, let me answer the second half. The second thing that I would do was mentioned by Mr. Gregorie; namely, in terms of the physical transfer of bills, you change the currency, which is a good idea anyway, because the present U.S. dollar is extremely easy to counterfeit with modern techniques. And that would be a body blow at the drug traffic.

The CHAIRMAN. Wouldn't that body blow be temporary?

Dr. BAILEY. Well, obviously. Anything you do is temporary if it is not coupled with a number of other activities, as Mr. Merkle pointed out—I mean, don't stop doing this because all of a sudden you start doing that. I mean, add to it, and continue the activities.

The CHAIRMAN. No, but I mean a fundamental change—I guess the last time—I don't know, I'm no expert in the currency, but it has been a long time since we changed the bill. I mean, we had enough trouble trying to figure out whether Susan B. Anthony should be on a coin let alone deciding that every pop song would now be outdated. "Greenback dollar"—you talk about our generation in the sixties—I mean, "greenback dollars" would—well, I guess they could change it to "blueback dollars"—I don't know——.

Dr. BAILEY. They can even stay green, Senator. There are various changes that could be made that would make the current currency obsolete and still keep it green.

The CHAIRMAN. How would that affect money that has already been transferred?

Dr. BAILEY. It wouldn't. It would force people who have large quantities of bills—because in the modern world, the only people who have large quantities of bills are criminals; everybody else deals in electronic transfers. So I mean, if you happen to have $500 in your safe deposit box in case your house burns down, that's no problem. You will be given 6 months to change that, and so on. If you are keeping $5 million in your safe deposit box, the presumption has to be that you are keeping $5 million in cash because there is some criminal activity bound into it. Consequently, people are going to be very loathe to come forward with their $5 million and ask that it be converted to the new currency.

In terms of electronic transfer, actually, it is not difficult. It is not difficult in terms of intercepts because almost all electronic transfers at the present time go through three major electronic clearinghouses, interbank clearinghouses, and obviously, the volume of transactions is enormous, but with modern, highspeed supercomputers, it can be sorted through. What would have taken 6 months can now take 6 minutes to do.

So the tracing of electronic transfers can also be done if you know what you are looking for. That is why in my testimony I very carefully said human intelligence and electronic intercepts.

There is an unfortunate tendency by intelligence people around the world—unfortunate, but understandable—to be thrilled with gadgets, to be all excited about the latest piece of equipment and so on and so forth—and that is true of law enforcement people in general. But I think the gentlemen on my right and left will agree that most great indictments come about as a result of human intelligence—in other words, somebody talks, somebody tells you what to look for and where to look for it, and so on, and then you bring all the hardware into play, you bring all the technology into play and so on.

But in terms of technology, in terms of the technique and so on and so forth, it is really not all that difficult because of the high centralization of these methods.

The CHAIRMAN. Right now, if $10,000 or more is transferred, it is required to be noted. I'm told one of the biggest problems with the legislation is that there are thousands and thousands of these transfers, and that the ability to sort through, what to look for of the thousands—if I'm not mistaken, and correct me if I'm wrong, but as much as close to $1 trillion has been electronically wired in a single day.

Dr. BAILEY. Oh, sure, yes. There were 34 million transactions in 1988 through one of the three clearinghouses, and that totaled something like $165 trillion. I can't even visualize that number.

The CHAIRMAN. Nor can I. But at a minimum, billions of dollars a day, about $½ billion or more a day.

Dr. BAILEY. Yes.

The CHAIRMAN. No, that's not true—$500 billion. Excuse me.

Dr. BAILEY. Five hundred billion, yes.

The CHAIRMAN. When you get 1 million here, 1 million there—that old Everett Dirksen saw, a million here, a million there, it adds up to real money—not anymore. Here I am, talking about $5 billion, and I've got to correct myself; I really mean $500 billion in transfers on average or more.

Dr. BAILEY. That's right.

The CHAIRMAN. And your point is you need human intelligence to go along with that acquired information——

Dr. BAILEY. Well, you have to know what you are looking for. You have to know that there is a needle in that haystack, and you have to know more or less what size it is and what the color is and the general area of the haystack it is in.

The CHAIRMAN. As a very knowledgeable person in this field, are there any numbers we could set that it just makes sense to look at—as you said, if you have a half-million in your safe deposit box, it is assumed there is something fishy. If you transfer $10,000, ap-

parently that's not such a fishy undertaking anymore, because there are thousands and thousands of those, although that is what the law says to look for. If you further narrowed that and said anything that is over $5 million, do you begin to—I mean, isn't there a logical way for us, with the use of those highspeed computers, to cull through and garner information that is based upon reasonable assumptions?

Dr. BAILEY. Sure, but I wouldn't do it on the basis of amount, because very large amounts by electronic transfer—almost all very large amounts—are now sent by electronic transfer, and most of those are perfectly legitimate—loans or payments or whatever it is.

I would do it on the basis of the way it is in fact done, and that is you are looking for specific kinds of transfers between point A and point B, or between point B and point C, with reference to certain kinds of entities that are making the transfer, and you are looking also for patterns. If you are finding a number of transfers from point A to point B that seem to be much larger in quantity than normal trade payments between those points would justify and so on and so forth—and we broke a number of cases having to do with illegal technology transfer, evasion of the Cuban boycott and embargo, and with reference to payments made to guerrilla and terrorist groups and so on by these methods—but again, you have to tell the people who are collecting the raw data what it is they are supposed to be looking for. I mean, you can't just ask them to scan the whole scope of electronic transfers, or they would go out of their minds, and it wouldn't do any good anyway.

The CHAIRMAN. One last question on this issue. You indicated in your statement today that we should punish banks that engage in money laundering by denying them permission to do business in the United States.

Dr. BAILEY. Foreign banks, yes.

The CHAIRMAN. Foreign banks. Would you also deny them access to the computer systems you are referring to, at least the ones located in the United States?

Dr. BAILEY. We could do that, certainly. We could have various steps of punishment, depending upon how serious the case is. You could forbid them to take deposits in the United States. For instance, one major German bank is about to become a primary dealer in Treasury securities. You could deny that. You could deny use of the clearinghouse, and then, depending upon how serious the case is, you could have various levels of fines and eventually just simply pull their license to do business in the United States.

Mr. GREGORIE. Senator, if I might add something on this question, I noted in my statement that what you have to realize is the narcotics traffickers will not open a U.S. corporation, because if they do they become subject to our regulation, which they don't want to do. So when they are operating in the United States, when you are talking about corporate accounts being wire-transferred, they are foreign corporations.

If we more stringently regulated foreign corporations operating in the United States, that is, require them to tell us who their financial backers and stockholders are under penalty of perjury, and put a forfeiture provision in it that if they falsely told us that in-

formation, they would lose their license to do business in the United States, this would be in my view more effective.

In other words, for a narcotics money launderer to launder his money, what he does is he opens a bunch of accounts in a number of foreign corporations which he has operating here in the United States—you can buy a Panamanian corporation for $25 if you go to Panama City—all you need to do is use that for the purpose of setting the money up. If we were able to at least identify who and what were involved in those corporations, who the people are that are backing it, and be able to have some enforcement capability with that, we could at least attack the problem from another angle.

The CHAIRMAN. Mr. Gregorie and Mr. Merkle, would you support the establishment of a separate international drug prosecution office in the United States composed of prosecutors and agents who were dedicated solely to dealing with international drug cases?

Mr. GREGORIE. The problem with that, Senator, is that unless they have the State Department on their side, it is useless. We do have an Office of International Affairs that now is supposed to have that capability already in the Justice Department. They usually were called upon to assist us every time we attempted to do an extradition and develop an expertise in the area. Certainly it is needed, certainly the expertise should be expanded. But in order to make it effective, you've got to have the State Department on your side. Unfortunately, the Office of International Affairs as it is now set up merely tells you, well, the State Department won't do it, the State Department won't cooperate. And since the Attorney General has no control over what happens in the State Department, the Office is ineffective.

So that if you are going to set up that sort of organization, there is going to have to be this joint chiefs of staff so that people from the State Department and the Justice Department sit down on a regular basis and work out the disputes.

Mr. MERKLE. Senator, I'm not sure I understand what the purpose of such an office would be or what problem it would be seeking to redress. We already have in place indictments throughout the United States—east coast, west coast, you name it—against every known drug trafficker who has been identified; I mean, we have marshaled the evidence, we are ready to go, the evidence is sitting out there. The problem is we don't have the bodies here.

And many of those indictments have been the products of years of local investigations, local cases, and coordination and development of witnesses with other U.S. attorneys' offices. If you set up an operation, an elite-type operation, devoted to international drug prosecution, you raise some very serious questions as to what kind of bureaucratic leveling you are creating and how is that going to impact on your typical U.S. attorney's office.

For example, you would have to staff such an office with people who could absorb the combined expertise and knowledge that Dick Gregorie and his staff have accumulated over 10 years of cases which directly impact on the international area, and I don't think that is possible, or at least it doesn't seem to me that it is returning something to you that we don't already have.

What we are missing here, what we are missing is the ability to reach out and get those people. Now, if what you are talking about,

Senator, is getting some kind of clout in the Department of Justice to make sure we can go out and get those people, I agree with that. The Attorney General is supposed to do that. The Attorney General is a Cabinet member, and the Attorney General is supposed to have an equal voice in the Cabinet, it seems to me, and should be able to carry the day what the President committed to law enforcement to make sure that it is on our foreign policy priority list, our No. 1 item on the shopping list, that we get the Gachas and the Ochoas and all these people out there that we are ready to prosecute and ready to put in jail. And recall Mermelstein's statement—that's what they fear the most; they really do, because their whole security system down there is predicated on the ability to terrorize or to bribe, and they cannot terrorize American law enforcement and thus far, thank God, they haven't been able to bribe themselves out of any kind of Federal law enforcement—certainly not on the level or to the extent that they do in their own countries.

So that's what I would say to that.

The CHAIRMAN. I think they are both valid criticisms. The only purpose was, as you pointed out, first, to highlight and give it a much higher profile, and second, to garner expertise. But I think your concern about what it does to the expertise that is already sitting there and spread around this Nation, not just in the southern district and middle district of Florida, but in New York and Los Angeles and other places—and your point is well-taken about the Attorney General.

One of the things that worries me most, Mr. Gregorie, is when we wrote the law creating the Cabinet-level drug officer, I was extremely disappointed—and I mean this sincerely—I think it was a serious mistake when the President decided not to have that person sit at the Cabinet table—even though he gets the same salary, even though he is the same level, even though it is the same under the law, has the same standing, it in fact has downgraded the currency of whatever that person does because he doesn't sit right there at the table.

It is one thing to try to convince the Secretary of State to go along with the proposal; it's another thing to be at a Cabinet meeting when the Secretary of State says something and turn to the President and say, "Mr. President, I disagree with that." But maybe I am too concerned about that.

Mr. GREGORIE. Senator, one comment on that, if I may. Before the incident in Venezuela last year, I got a call from a lawyer in New York who represented the Ochoa family. He told me that the Ochoa family was willing to stop dealing in drugs if the United States would promise not to arrest them—that is, we would promise that we would not make any effort to go down and pick them up. This is the level of fear—he actually used the word "kidnap"; I use the word "arrest."

He said, "If you will get the Government to promise us that you won't come down and kidnap us, we will stop dealing drugs."

I said, "Well, how do we get an assurance on that? I mean, how is it that you are going to tell us? I mean, will all your minions stop? Will you stop doing it indirectly?"

But that indicates the level of fear at which they are operating.

He also said, "And what we'll do is we will provide you information and assist you in fighting the Communists in Colombia."

They are under the impression that the priority in the United States Government is fighting the Communist element in South and Central America.

The CHAIRMAN. I wonder where they got that?

Mr. GREGORIE. I can't imagine, Senator. And they honestly believe that they can trade that in return for immunity from prosecution.

I can also tell you in dealing in the Noriega case and witnesses that I have talked to, Colon, the free zone in Panama, is the biggest commercial warehouse of clandestine activity in the world. The Israelis send weapons through there, Cuba gets its computer parts through there, coffee is smuggled through there, spice is smuggled through there, passports of every sort are smuggled through there—and the United States uses it as well as every other nation in the world.

I must tell you that the corruption there is so deep and involves the United States as well as other countries. I attempted before I left the U.S. attorney's office to get that corruption investigated. I went to the DEA, and they said, "No, that's corruption, that's not a drug matter; we won't get involved in it." I went to the FBI, and they said, "No, that's Noriega-related; you'll have to go to the DEA." And I was unable to get anybody to look into it even though I had several witnesses who were willing to testify about it.

Again, this is something where the Attorney General and the Secretary of State and the foreign intelligence people should be sitting down; we should be working together on these matters. They are international criminal elements that keep the drug trade going.

The personal bodyguard for General Noriega is a former general in the Israeli Secret Police. I was told by an informant that the Israeli arms dealers are selling arms to the Medellin cartel because there are members of the Colombian terrorist groups that are allied with the Palestinian terrorists; so that Israelis are actually selling arms to the folks that we're going to have to try to go down and get.

It seems to me that we've got some foreign policy and security concerns here that somebody ought to be looking at not only from a law enforcement side, but from a foreign policy side, and we are not doing it, Senator.

The CHAIRMAN. Do you think we should go down and get them?

Mr. GREGORIE. Absolutely. I see no problem in going down, putting the cuffs on them, and bringing them back. In fact our law says it doesn't matter how they arrive in this jurisdiction as long as we don't terrorize anybody—that is, you don't attach cattle prods to them, you don't beat them; you arrest them the way we do any other legitimate indicted felon in this country—you go down, you place them under arrest, you put cuffs on them, and you bring them back. If you face resistance, you have to answer that resistance, but you do it under all our constitutional guarantees.

Senator, there was an action by the Marines in Tripoli in 1801 because this country was placed in a situation where they had to take an enforcement action. I do not see this as being any different

than sending the Marines to Tripoli to save our sailors traveling those waters. We are now being assaulted in this country by the mammoth amount of drugs that are coming through. I think that we have precedent for it; I see no problem with it. And again, if the Secretary of State would call a summit of the drug-producing countries, he would sit down around the table and tell them: We will not take this anymore, and we are going to go get them; if you cooperate with us, that is what should happen; if you won't cooperate with us, we are still going to go get them.

The CHAIRMAN. Well, hasn't the President just recently announced just such a policy only with regard to terrorists? Correct me if I am wrong, but didn't the President recently say with regard to hostages being held in Lebanon or wherever they are being held——

Mr. GREGORIE. I commend him for it if he said it, and I would hope that we would follow up on it.

The CHAIRMAN. Do you all make any distinction between whether or not an American was being held hostage by a terrorist in Colombia or any other country and whether or not a head of a drug cartel were either not being prosecuted by and/or hiding out in such a country?

Mr. GREGORIE. Senator, this country is hostage. People are afraid to go out of their homes at night. People are afraid to travel. People are afraid to go out without locking their doors. We have made ourselves hostage. And the problem is that the supply of drugs coming into this country, sent by those cartel leaders, is so staggering, the price of cocaine in Miami has dropped from $50,000 per kilo in 1982, to $10,000 to $15,000, somewhere in that range in 1989. That means the supply is so high, and the amount of cocaine coming in here is so great that there is nothing that our populace can do about it, absent going abroad and going after the people who are producing it and becoming wealthy with the sale of it.

Mr. MERKLE. Can I enter just a slightly different perspective?

The CHAIRMAN. Certainly.

Mr. MERKLE. The difference between the hostage being held by the terrorists in Lebanon and this country being held hostage is that we are tying the knots on the ropes that are holding us.

I think it has to be recognized first of all that probably 90 percent of the American people, if not more, would support the notion of sending the Marines in and grabbing some of these guys just right out of the jungles or wherever they are hiding. But I think we have got to be careful here.

My own view is that it may not be constitutionally feasible in terms of an American court of law not looking beyond the manner in which an individual was seized outside of our borders, but we have obligations to the United Nations; we are signatories to various conventions, and I think we have got to be careful lest we throw the baby out with the bath water.

My own view is that once again we have an opportune moment in this hemisphere. My view is that the countries that are producing drugs are seeing more than ever that the drug production is no longer a process that they can engage in safely because the drugs are starting to contaminate their own societies. This is happening in the Bahamas, where they have an absolutely skyrocketing crime

rate, a terrible crack cocaine addiction rate. In Colombia, it is happening as well. In years past, they thought they could just export the product to the United States, and it was not their problem. So they now recognize it is their problem. That is No. 1. No. 2, I think they have an interest, economically, to get rid of these people. They may indeed, as the general commented this morning, be limited in their choice of actions because of the threat that they see. But I was contacted during a later case by many people in Colombia surreptitiously—professionals, from every profession, including journalists—saying, "We desperately need and want American leadership to help us get rid of this scourge."

Now, these are the people that are taking the risk of going to work every day and getting shot. Just in the last 2 years, a lot of journalists were killed in Colombia. And the fact is that if we send the Marines in to Colombia right now without effecting a multilateral agreement or consensus, and without getting the invitation of the host country, we risk jeopardizing everything that we stand to gain at this point, in my opinion. We play right into their hands; we will be characterized as aggressors, the capitalists, the same people who are trying to export their colonialist ideas to South America and oppress the Carlos Lehders of the world and the rest of the people who are merely trying to help the peasants. So I think that is a mistake.

The CHAIRMAN. You have a valid point. I think it is worth discussing, and there is going to be more discussion of it.

I have one last question for you all. What about the idea of not sending the Marines in, as most people picture it with landing craft hitting the beach, but what about the idea of doing exactly what the Israelis did with the Palestinian leader that they apprehended. Do you have a similar problem with that? Would that create the same problem?

Mr. MERKLE. I do, I do. That may be something we might consider and discuss nationally, but once again, I think the preferable framework to operate in right now is with the Organization of American States and the United States, and we've got them right on our side. Why jeopardize the high ground that we occupy right now by arguably violating national sovereignty and playing into the hands of the very people that we are at war with at this point?

Mr. GREGORIE. We have under indictment, Senator, and we do have listed the leaders of the organizations, and you have to realize that these organizations are autocratic. When a Pablo Escobar or a Jorge Ochoa run these organizations, they control the ability to get the drugs to the United States and get the money back. A peasant growing cocaine in Peru, Bolivia, or Colombia has no idea how it gets transported here, what the processes are, what the corporations are. So if you take out the leadership, you do do a substantial amount of damage to the organization.

If these countries are willing to cooperate with us and send them back, that will happen. Unfortunately, the attitude generally is that they can procrastinate with us—tell us they are going to do something, tell us there is going to be a policy, and we will be discussing this subject 5 years from now.

Before I came to the Senate hearing today I read the book on the Ground Empire for the second time. I found pages in it referring to

incidents going back in Panama and Venezuela to 1980 and 1981, in which the same problems arose, the same subjects were mentioned—they were mentioned in Senate hearings and other places—and here we are again in 1989, discussing the same subject.

At some point, we have to decide to act and stop talking, and unfortunately we haven't arrived at that point yet.

Mr. MERKLE. Well, let's use the legal sticks before we decide to go further. I mean, there are a lot of things we have not done that we can do which are coercive legally, economically, in terms of getting the sort of cooperation we want. Let's do that and then see where we are.

Dr. BAILEY. Well, Mr. Chairman, it seems to me that one of the problems with that is that the United States is simply very bad at surgical operations of this type. We tend to end up with helicopters on the ground and people running around like chickens with their heads cut off, and we look stupid.

Where I think we could have a very major effect and have on occasion, when we finally got ourselves to do things of this type, is when you are dealing with an outlaw government—and in the 19th century and earlier, there was this concept of an outlaw government that did not have the same rights that law-abiding governments had, and could be subject to activities of this type; the Barbary pirates in North Africa were an example of that, and there were a number of other examples—the kind of thing we did in Libya when we got the goods on them—and we got them, incidentally, through electronic intercepts, as the President announced. And Noriega or Pinling are perfect examples. These are outlaw governments, not governments that are having terrible problems with outlaws, but outlaw governments. And we have lost opportunity after opportunity to get Noriega, and in my opinion the activities that the United States has been engaged in, this giant, powerful, wealthy country, to get rid of one pipsqueak dictator in a fifth-rate country, have rendered this country ridiculous. The opportunities have been there and have not been taken.

For one thing—well, there are all kinds of them. We could declare a blockade, and the country would be on its knees in 2 or 3 days. If you don't want to do that, just cut off the oil supply, and they cannot operate, or tell the PDF that they have 48 hours to hand over Noriega, and if they don't, we are going to occupy Panama City—in fact, we are going to occupy the whole country. My God, we've got troops in Panama. We don't have to send people in like we would have to in the Bahamas or in Colombia or somewhere like that—they are right there. Believe me, long before the 48 hours are up, Noriega would be handed over because the rest of the boys don't want to be wiped off the face of the Earth.

I don't know. I am sorry. Thank you.

The CHAIRMAN. I can empathize with your frustration.

Gentlemen, I have about half a dozen more questions, but what I'd like to do, with your permission, is give them to you in writing. I am not looking for long responses that will take a lot of your time, but if you would be willing to respond in writing over the next couple of weeks, it would be much appreciated.

I thank you very, very much for your testimony. As I think your testimony has indicated, there is a great deal to be done. That is

the bad news. The good news is there is a great deal that can be done if we have the resolve, and notwithstanding obvious legitimate disagreements such as on the last point. But I do appreciate your time and your testimony, and I thank you most of all not only for being here and testifying, but also for what you have done for the citizens of this country—what you have done. It is much appreciated.

Thank you very much.

Mr. MERKLE. Thank you, Senator.

Mr. GREGORIE. Thank you, Senator.

Dr. BAILEY. Thank you, Mr. Chairman.

The CHAIRMAN. The hearing is adjourned.

[Whereupon, at 3:30 p.m., the proceedings were adjourned.]

[The following letter was subsequently supplied for the record:]

United States Department of State

Washington, D.C. 20520

DEC 19 1989

Dear Mr. Chairman:

On August 17, former federal prosecutor Richard Gregorie testified before the Judiciary Committee about a variety of anti-narcotics trafficking related matters. The news media reported that Mr. Gregorie stated that State Department officials "put a clamp on" a plan to capture a Colombian narcotics kingpin in Venezuela in October of 1988. This account of events in the autumn of 1988 is not accurate and I am writing this unclassified letter to correct the record.

The Department has reviewed carefully the record of this matter and has concluded that the actions of Ambassador Otto Reich (then United States Ambassador to Venezuela) in the October 1988 matter were professional and fully supportive of U.S. law enforcement interests. We also have canvassed our colleagues at the Department of Justice, the United States Marshals Service, the Drug Enforcement Administration and the Customs Service. Not one has suggested a view to the contrary.

Contrary to Mr. Gregorie's public assertions, no action or inaction on the part of then-Ambassador Otto Reich or any other Department of State official resulted in the loss of an opportunity to capture a Medellin Cartel drug trafficker in October 1988. This is confirmed by the September 1989 Report of the Department of State Inspector General.

The Report of the Inspector General is classified at the Confidential level and the details of the October 1988 matter remain classified. Representatives of the Department of State and the appropriate law enforcement agencies are prepared to give you or your staff members a classified briefing on the matter, if you deem such a briefing appropriate.

Sincerely,

Janet G. Mullins
Assistant Secretary
Legislative Affairs

The Honorable
Joseph Biden,
Chairman Judiciary Committee,
United States Senate.

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